

2001

The Globalization Of The Pharmaceutical Industry In Puerto Rico

Nils B. Zetterstrand

Follow this and additional works at: <https://scholarship.shu.edu/theses>

Recommended Citation

Zetterstrand, Nils B., "The Globalization Of The Pharmaceutical Industry In Puerto Rico" (2001). *Theses*. 148.
<https://scholarship.shu.edu/theses/148>

**THE GLOBALIZATION OF THE PHARMACEUTICAL
INDUSTRY IN PUERTO RICO**

BY

NILS B. ZETTERSTRAND

Thesis Advisor

Donald N. Lombardi, Ph.D.

**Submitted in partial fulfillment of the requirements
For the Master of Arts in Corporate and Public Communications
Seton Hall University**

2001

ACKNOWLEDGEMENTS

The author wants to take this opportunity to thank those individuals who made it possible for him to complete this study. To begin he would like to thank his family: his mother, father, and sister for their constant support and patience throughout his academic endeavors at Seton Hall University. A special thanks is also owed to my advisor Dr. Donald N. Lombardi. Dr. Lombardi helped in every way possible with his suggestions, his undivided attention, and his optimistic outlook. Lastly, the author would like to recognize Sandra Melvin for her constant cooperation and encouragement during these strenuous three years.

TABLE OF CONTENTS

CHAPTER

I	INTRODUCTION.....	1
	Research Question.....	3
	Subsidiary Questions.....	4
	Purpose of the Study.....	4
	Objectives.....	6
	Definition of Terms.....	7
	Limitations.....	8
II	PUERTO RICO'S ECONOMIC HISTORY.....	10
	U.S. Occupation and the Insurrection of a Military Government.....	11
	The Foraker Act.....	13
	The Jones Act.....	18
	The Monopolization of the Sugar Industry.....	20
	Roosevelt's New Deal Programs.....	22
	Louis Munoz Marin: His Role to Renew Puerto Rico's Economy.....	25
	The Chardon Plan.....	29
	Operation Bootstrap.....	32
	The Implementation of 936.....	35
	Conclusion.....	38
III	SECTION 936 AND THE EMERGENCE OF THE PHARMACEUTICAL INDUSTRY IN PUERTO RICO.....	40
	The Migration of the Pharmaceutical Industry to Puerto Rico.....	41
	Defining Section 936.....	43
	The Positive Effects of the Pharmaceutical Industry in Puerto Rico...	45
	The Abuses of the Pharmaceutical Industry in Puerto Rico.....	46
	The Elimination of Section 936.....	50
	Conclusion.....	50
IV	A REVIEW OF THE LITERATURE: THE DREACTION OF PUERTO RICO'S DEPENDENCE ON THE UNITED STATES.....	51
	Background.....	51
	A Historical Perspective Regarding Puerto Rico's Dependency.....	52
	Section 936 and its Role in Puerto Rico's Economy.....	59
	The Pharmaceutical Industry in Puerto Rico.....	62

V	A SURVEY SEEKING PUBLIC OPINION ON THE ISSUES OF SECTION 936 AND THE PHARMACEUTICAL INDUSTRY.....	65
	Description of the Survey.....	65
	Sample.....	65
	Purpose of the Survey.....	66
	Analyzing the Results of the Survey.....	66
	Conclusion.....	74
VI	SUMMARY.....	76
	Conclusions and Recommendations.....	77
	Puerto Rico's Future Economic Outlook.....	77
	Bibliography.....	82
	Appendices.....	88
	A-Survey.....	89
	B-Analysis of the Survey.....	91

Chapter I

INTRODUCTION

Ever since its colonial status after the Spanish-American War in 1898, the island of Puerto Rico, to this day, has yet to liberate itself from the economic and governmental powers of the United States. Even after their inception as a commonwealth of the United States in 1952, Puerto Rico still remains under the direct control of the United States government. In essence: What did change as Puerto Rico changed hands from the tyranny of the Spanish Empire to the democratic government of the United States of America? Even though their colonial status stayed the same, Puerto Rico made great strides in enhancing their economic infrastructure. These advancements were made possible by a number of economic programs that were enacted by Congress and later by political leaders on the island.

Many of these programs were started in an effort to attract the industrialization of the island by foreign companies. For the most part, the companies were bestowed certain tax incentives along with cheap labor ("Puerto Rico: Withdrawal symptoms," 1985, p.25). As a result, many U.S. firms in the manufacturing and electronics sectors migrated from the continental U.S. to the island of Puerto Rico. The surge of companies arriving on the island came largely from the pharmaceutical industry. Many of the biggest names in the industry are well represented in Puerto Rico. "They include Johnson & Johnson, Bristol-Myers-Squibb, Schering Plough, Zeneca, Smithkline Beecham, and many others" ("Puerto Rico," 1994, paragraph 8).

As the influx of pharmaceutical companies became noticeable on what is today Highway 2, on the island of Puerto Rico, many individuals questioned if this was the

right move for the future of the island. Many of the island's intellectuals and political figureheads were reluctant to endure any further dependence on the United States government and their economic policy. It should be clarified that for the last 400 years the people of Puerto Rico were forced to live under the control of a foreign power. Let it be the United States or Spain, Puerto Rico has yet to feel that they are responsible for their own destiny.

In effect, the prelude of many of these economic programs brought with it a hesitance by many of the island's political elite. Yes, the island's economy was revived but at what expense. And to heighten this paranoia, people on the island feel that many of these economic incentives were mainly programs that would initially develop the island's economy but in the end serve to benefit the companies overall revenue growth. Furthermore, not only are these industries benefiting from these subsidies, many, especially the pharmaceutical companies, are taking advantage of the incentives by closing a number of their factories in the United States and moving them to Puerto Rico.

In the last few years many politicians are speaking out in favor of either reducing or even eliminating the tax benefits which are enjoyed by the pharmaceutical and many of the manufacturing industries on the island. Richard Leonard, the special projects director of the Oil, Chemical, and Atomic Workers Union (OCAW), accused the drug manufacturers of, "abusing the laws and illegally shifting thousands of jobs to Puerto Rico" ("Drug Cost Debate," 1992, paragraph 5). Throughout Puerto Rico, citizens are beginning to panic at the eventual phase out of these tax incentives. Will many of these companies start relocating to other tax havens such Ireland, Singapore, or even Mexico; leaving Puerto Rico scrambling to recover from the ramifications of a potential

depression of their economy. Many local government officials on the island state that, "eliminating these generous perks could have widespread repercussions that would push the commonwealth's economy into a horrific depression" (Simon, 1993, p.1) As it stands these tax incentives will be phased out with in a 10 year period. Can Puerto Rico survive economically if many of these pharmaceutical and manufacturing companies start relocating to other parts of the world?

This study will focus on the United States efforts, within the last 40 years, to globalize and industrialize Puerto Rico, in an effort to uncover if it has established an effective model for the pharmaceutical industry on the island. In researching this topic there is overwhelming evidence on both sides of the issue. For the most part, this study will concentrate on how the emergence of the pharmaceutical industry managed to help revive the economic infrastructure on the island, but in time left citizens with a void as many of these companies are starting to look elsewhere in order to ripe the same benefits they had in Puerto Rico.

Research Question

Has the 40-year development of the United States corporate presence in Puerto Rico established an effective model for the pharmaceutical industry on the island? This examination will investigate if the privileges handed to the pharmaceutical industry created an atmosphere conducive to the future of the island or did they further Puerto Rico's dependence of certain companies, as well as, the United States government.

Subsidiary Questions

In an effort to comprehend the impact the pharmaceutical industry had on Puerto Rico, this study will also be devoting time on answering the following questions:

- #1. What is the historical background of the various economic programs that were enacted in order to industrialize and modernize Puerto Rico?
- #2. What role has the pharmaceutical industry played in Puerto Rico's economy?
- #3. How have these incentives benefited the pharmaceutical companies?
- #4. How did the pharmaceutical companies abuse these economic programs?
- #5. Can these incentives be credited in directing Puerto Rico towards a greater dependence of the United States?
- #6. How have the citizens of Puerto Rico reacted towards the increased presence of the pharmaceutical industry and some of the other manufacturing companies?
- #7. What is the future of the pharmaceutical industry on the island and how will it effect Puerto Rico?
- #8. Will the phasing out of these incentives incline Puerto Rico to become the 51st state of the United States or will it stay as a commonwealth?

Purpose of the Study

Looking back at Puerto Rico's history it was evident that their economy lacked the elements to encourage growth in industry and the investment to modernize the island. According to Del Rio (1998) Puerto Rico's commonwealth status along with the various tax incentives has, "transformed the island from a former one-crop (sugar), absentee farming community, which in 1943 earned the moniker 'poorhouse' of the Caribbean"

(p.10.). As a result, the United States government intervened in the early 1940's, making it possible for Puerto Rico to redefine their economy from what was once characterized as a backward state or a third world country to what is today a growing and successful market.

The modernization of Puerto Rico to a global market attracted a number of pharmaceutical companies to the island. Incentives such as Section 931 and 936 of the U.S. Internal Revenue Tax Code "have encouraged the development of the manufacturing, electronics, and the pharmaceutical industries in Puerto Rico" ("Puerto Rico," 1994, paragraph 10). "The pharmaceutical industry is without a doubt the largest beneficiary of tax credits," in their efforts to establish manufacturing plants throughout the island ("Drug Manufacturing Jobs," 1995, paragraph 4). In retrospect Puerto Rico, in allowing these tax incentives, left its local economy undeniably dependent on the corporations who qualified for these tax breaks. Grusky (1996) agrees with these concerns, stating that Puerto Rico left itself in a risky situation by allowing, "U.S. corporations to assume such a dominant role over the local economy on the island" (p.55.). The author of this study, through a review of the literature will explore how, in many ways, tax incentives such as Section 936 of the U.S. Internal Revenue Tax Code, contributed to Puerto Rico's dependence of U.S. corporations and the United States government.

Under these current tax laws pharmaceutical companies that migrated to Puerto Rico reduced their expenditures by millions of dollars. Without question the pharmaceutical industry benefited by these incentives. However, how has their presence improved the lifestyle of those citizens who live on the island of Puerto Rico? In

researching this topic, there is evidence supporting the notion that the revenue generated by the manufacturing sector (pharmaceutical, electronic, and textile) initiated the modernization of the island but has not continued to stimulate the growth of the islands economy at the rate it once did. This leads the author to believe that incentives such as Section 931 and 936 of the U.S. Internal Revenue Tax Code favored the revenue growth of those companies and for the most part had a limited effect on the livelihood of the Puerto Rican citizen. In turn the author will focus on how there was a disproportionate arrangement in regard to how the pharmaceutical industry benefited in migrating to Puerto Rico and its benefits to the local economy.

Objectives

The intention of this study will be to observe the pretense of the pharmaceutical industry on the island of Puerto Rico. The author will focus on three objectives during the course of this examination. The first objective will be to exhibit how the migration of the pharmaceutical and other manufacturing industries were directly responsible towards the transformation of the economy in Puerto Rico. The second objective of this study will probe the role of tax breaks, such as Section 931 and 936, of the U.S. Internal Revenue Tax Code, and their relationship to the pharmaceutical industry as well as to the Puerto Rican economy. Did many of the pharmaceutical companies abuse these programs? Thirdly, the author will illustrate how the termination of these economic programs will effect the island and the future of the pharmaceutical companies in Puerto Rico. Will many of these companies embark to other tax havens around the world? Through the review of the literature the author intends to quantitatively analysis the

spectrum of these economic programs and the opportunities they have brought to Puerto Rico.

Definition of Terms

#1. Commonwealth: Form of government based on the power and consent of the people.

#2. Globalization: The increasing tendency towards an interconnected worldwide investment and business environment.

#3. Manufacturing Sector: "Labeled as the labor intensive industries such as apparel, textiles, ceramic, and paper production – It was Puerto Rico's top income generator in the last ten years" (Craig, 1997, paragraph 4).

#4. Operation Bootstrap: Originating in the early 1950's it was, "a program that included long-term tax exemptions and was fundamental in attracting a substantial number of manufacturing plants to the island" (Gladue, 1998, p.D2).

#5. Pharmaceutical industry: These corporations are responsible for the production and distribution of over the counter and prescription drugs.

#6. Puerto Rico: "The fourth largest island in the Caribbean with 3.8 million U.S. citizens" (Craig, 1997, paragraph 2).

#7. Section 931 of the U.S. Internal Revenue Tax Code: "On the books since 1921 but not used in Puerto Rico until 1948; jump started the local initiative by offering Federal tax exemption on profits repatriated to the American parent company upon liquidation, at the termination of its 10-year tax exempt status" (Talbot, 1995, paragraph 3).

#8. Section 936 of the U.S. Internal Revenue Tax Code: "Provided for the distribution of corporation profits to parent firms free from payment of Federal tax. In addition, it required that subsidiaries operating in Puerto Rico had to reinvest their retained earnings on the island itself" (Talbot, 1995, paragraph 4).

#9. The New Deal Program in Puerto Rico: Initiated by the Roosevelt's administration, introducing, "the Federal Emergency Relief Administration to create economic incentives in both private and public sectors" (Gonzalez-Cruz, 1998, p.D2.).

Limitations

To an extent this study is inhibited by its exclusive focus on the pharmaceutical industry. Puerto Rico has a wide variety of other industries within the manufacturing sector. However, as was previously mentioned, "the pharmaceutical industry has been the largest beneficiary of the tax credits in Puerto Rico" ("Drug Manufacturing Jobs," 1995, paragraph 4). Due to these circumstances the author believes that the pharmaceutical sector presents the best case scenario on the arrangements of these economic policies and their effects to the island of Puerto Rico.

Another factor that renders limitations to the study is the insufficient amount of literature about the emergence of the pharmaceutical industry on the island. For the most part, the author had minimal success in retrieving documents that illustrated the economic and social conditions of Puerto Rico upon the arrival of the drug firms. In considering this factor the author lacks a basis of comparison from the period the pharmaceutical industry migrated to the island to their present status.

Lastly, the inability to provide documentation relating to the opinions and beliefs of the Puerto Rican people in respect to the islands economic dependence, limits the author's ability to show the true nature of their discontent. Due to monetary reasons, the author was unable to travel to Puerto Rico and interview citizens who struggled through these issues. As it is well publicized, Puerto Ricans living in the United States, in many instances, lose site of the day-to-day affairs of the island. In effect, interviewing Puerto Ricans who either were born or live in the United States would lack the qualitative data required for this study.

Chapter II

PUERTO RICO'S ECONOMIC HISTORY

Before introducing the emergence of the pharmaceutical industry in Puerto Rico, one should first acquaint themselves with the history of Puerto Rico and how industry in general arrived on the island. One of the defining moments in Puerto Rico's history was the invasion by the United States as they ended the legacy of the Spanish Monarchy during Spain's defeat in the Spanish American War in 1898. Upon arriving on the island, military officials discovered an island that was gracious for delivering them from the tyranny of the Spanish Monarchy and an island overrun by poverty and civil disorder. During the next 50 years the United States government played an instrumental role in modernizing, as well as changing, Puerto Rico from a one crop agrarian economy to an economy that is now overrun by some of today's most prolific companies. One cannot, however, take away the achievements that were accomplished by political intellectuals such as Luis Munoz Rivera and Munoz Marin, two of Puerto Rico's most renowned political figures of this century. Both of these individuals made it possible for Puerto Rico to take that first step towards social and economic change from what was once called the "poor house of the Caribbean" to what is today described as a thriving, modern, manufacturing based economy with the highest standard of living in Latin America" (Del Rio, 1998, p.10). All things considered the culminating factor was the defeat of the Spanish by the United States in the Spanish American War. From this point on, certain individuals from both the United States and Puerto Rico, along with the publication of a

number of economic programs and policies, are what prompted Puerto Rico to modernize its economy and its social surroundings.

U.S. Occupation and the Insurrection of a Military Government

For nearly four and half centuries, Puerto Rico has been a colonial possession. Since its discovery by Christopher Columbus in 1493, the people of Puerto Rico were forced to live under the control of the Spanish Monarchy and later the United States government. The people of the island were never given the chance to determine their own destiny. Under the Spanish, the inhabitants of the island endured a life of great hardship. For many, the Spanish deprived them of their rights as citizens of the land as well as their inalienable rights as humans. As it was in the United State, the majority of the natives on the island were of Indian descent. Systematically, these individuals were continually tortured and forced to follow the word of the Spanish Monarchy. For over 400 years the Spanish ruled with an iron fist. Maldonado-Denis (1972), an expert in Puerto Rican history, reinforced the notion that, "With the characteristic brutality of the colonizer, the Spanish colonist imposed on the Indians the iniquitous and painful condition of being strangers in their own soil"(p.14). It was not until the decline of the Spanish Empire that we begin to see changes within the social and economic conditions of the island.

After the onset of the Spanish-American War in 1898, the Spanish Monarchy, once and for all, lost control of Puerto Rico. The invasion of the island was completed within a few of weeks. Some newspapers regarded the invasion of Puerto Rico as a "military picnic" since there was no real military resistance to speak of and in respect to

how well the United States troops were received upon their arrival (Monge, 1997). Once the island was successfully occupied, General Nelson Miles, the commanding officer of the invasion, happily made his famous pledge to the Puerto Rican people: "We have not come to make war upon the people of a country that for centuries has been oppressed but on the contrary to bring you protection ...to promote your prosperity and to bestow upon the immunities and blessings of the liberal institutions of our government" (Fernandez, 1992). Initially many of the inhabitants were overjoyed as the United States military marched into San Juan, the capital of Puerto Rico, removing the Spanish flag at La Fortaleza and replacing it with the American flag in observance of their victory over Spain. At last, after 405 years the Puerto Rican population was jubilant over the end of the Spanish regime. They would have never thought that the social and civil conditions under the democratic philosophy of the United States constitution would be worse than what they experienced under the Spanish Monarchy.

After the ratification of the Treaty of Paris on December 10, 1898, Spain ceded all rights to Puerto Rico to the United States (Monge, 1997). To this day many Puerto Rican historians are bitter over the fact that throughout these deliberations neither the Spanish nor the United States took the responsibility of including Puerto Rican mediators while negotiating the future of their home land. In adherence to the peace treaty signed by the Spanish and the United States, "the civil rights and political conditions of the territories ceded to the United States were to be determined by Congress" (Maldonado-Denis, 1972, p.59). In effect, the political status of Puerto Rico was, from that day forward, the responsibility of politicians thousands of miles away rather than commissioning these duties to the political bodies that resided on the island. In the years to follow, Puerto

Ricans came to the realization that underneath all of their democratic principles, the United States was essentially no different than the aristocratic Spanish government of the past.

By the 1900's the inhabitants of Puerto Rico saw their dream of being an independent nation shattered. Shortly after acquiring the island from the Spanish, the United States found it in the best interest of the island to establish a military government rather than to give the Puerto Rican people a chance at self-governance. When asked later why the United States had not bothered to consult the people of Puerto Rico regarding their preference in government and economic policy, President McKinley responded by saying: "Do we need their consent to perform a great act for humanity? We have it in every aspiration of their minds, in every hopes of their hearts" (as cited in Monge, 1997, p.27). Many Puerto Ricans felt betrayed. They thought since the United States advocated a democratic ideology that in the end they would be bestowed these same rights. Unfortunately, this was not the case. Hauberg (1974) contends that, "When one considers the hopes of the Puerto Ricans, as well as the democratic climate of the United States, and the promise of General Miles, it should be easy to understand the stunned disappointment of the Puerto Rican political leaders" (p.41). Once again the Puerto Ricans are forced to live under the tutelage of a foreign power.

The Foraker Act

After 2 years of a military government, President McKinley hastily approved the insurrection of a civilian government. These changes were merely frugal attempts to keep the Puerto Rican people under a watchful eye. Under the Foraker Act of 1900, the United

States Congress, "replaced the military government with a civilian one and created a political entity termed 'the People of Puerto Rico' - neither citizens of the United States nor citizens of an independent state" (Hauberg, 1974, p.40). Apparently the United States government viewed the citizens of Puerto Rico as being naïve or simply ignorant of the statutes of the Foraker Act. The act was basically an extension to the autocratic government that was in place under Spanish Monarchy. Many of the politicians on the island were in disbelief by the reluctance of U.S. official's to treat the citizens of Puerto Rico as equals rather than individuals of an inferior stature. Perusse agrees, asserting that for the Puerto Ricans, "the Foraker Act was a step backwards in their quest for greater self-government." In his eyes, "the island of Puerto Rico remained a colony in the firm grip of the United States government" (Perusse, 1990, p.18). By viewing some of the main points of the Foraker Act, the author cannot blame the Puerto Rican people for feeling betrayed in their hopes for becoming a free nation.

Individuals like Luis Munoz Rivera, one of Puerto Rico's most renowned politicians, openly spoke of the disgruntled opposition towards the Foraker Act. As he states in a letter that he wrote to President Taft: "The Foraker Act, Mr. President should have never come out of the Congress. Such a law is unworthy of the United States, which imposes it, and of Puerto Rico, which tolerates it. Not even a sliver of democratic thought can be found in it" (as cited in Monge, 1997, p.53). One of the main points of opposition was on the issue of statutes. Under the Foraker Act Puerto Rico was to be termed an "unincorporated" rather than an "incorporated" territory (Johnson, 1980, p.14). Many Puerto Ricans were baffled. They were made to believe that in time Puerto Rico would enjoy the liberties of becoming a state of the Union or by all means a free nation led by a

government that was elected by its people. The Puerto Rican people were guaranteed neither of the two. As stated by Perusse (1990) a, "nonincorporated status carried no necessary commitment, implied or stated, to integrate the territory into the federal union at some future date" (p.18). In actuality, the people of Puerto Rico were neither American citizens nor citizens of an independent nation (Wagenheim, 1970). They were, as Fernandez (1992) so bluntly put it, a 'national nobody' with a flag unrepresenting of a nation and a people without a country they can call home. (p.2).

Other issues that brought forth controversies were the political bodies and the elected officials of the newly formed civil government. The act called for the election of a new governor that was to be appointed by the President of the United States and not by the citizens of Puerto Rico. For the next 40 years Puerto Rico's highest political official, its governor, was to be appointed by a President who neither knew the language nor knew the land. Imagine living in a nation where your most powerful political administrator does not know the language of your forefathers. Do you believe that something of this nature would ever occur within the boundaries of the United States? The answer to that question would undeniable be 'NO'.

Along with the governor, the President of the United States also appointed all 11 members of the Executive Council. The Executive Council was similar to the United States upper legislative chamber, which included executive departments such as: the Secretary, the Treasurer, the Commissioner of the Interior, the Attorney General, the Auditor, and the Commissioner of Education (Mixer, 1926). Oddly enough most of these departments were headed by American politicians who where guaranteed these positions because of political favors owed to them by the President. The Foraker Act also

authorized the election of a 35 member House of Delegates to be appointed by the people of Puerto Rico (Perusse, 1990). Unfortunately, each of the members were required, "to be able to read and write in either Spanish or English and had to own property subject to taxation" (Monge, 1997, p.42). Under these measures the majority of the population of Puerto Rico was excluded from politics. For the most part, only the educated, who had the privilege of attending a university in Europe or in the United States, and those who owned land were given the opportunity to be elected into political office. Even though the Foraker Act concentrated on the political structure of the island, there were a number economic clauses that have effected Puerto Rico to this day.

Following the provisions of the Foraker Act, changes were made on the way business was to be done on the island. On the economic side, the United States took this opportunity to implement taxation of all islanders. A 15 percent tax was levied on all articles entering Puerto Rico from the United States and vice-versa (Fernandez, 1992). Along with a tax increase, the United States instituted, "the coastwise shipping laws, prohibiting less expensive foreign carriers from shipping cargo between Puerto Rico and the United States" (Monge, 1997, p.43). Essentially, the United States mandated that Puerto Rican commerce was to be carried out on American ships, and failing to do so often led to severe economic consequences (Monge, 1997, p.43). Political leaders from both the U.S. and Puerto Rico were appalled that such a law was permitted to pass through Congress. In many ways the United States Congress contradicted some of the fundamental philosophies of its Constitution. As it was stated by their founding fathers, in response to the British taxation of the 13 colonies, "taxation without representation is a crime that will not be tolerated by the people of this land" (Fernandez, 1992, p.17). In

defense of the Puerto Rican people Fernandez (1992) questions, "how could the United States justify a practice that the Founding Fathers had declared robbery when the British did it, and in turn continue the same practice in Puerto Rico well into the 1990's" (p.17). Due to these petitions of distress, many politicians' back in the United States felt obligated to address the grievance of representation by the Puerto Rican people.

On various occasions politicians back in Puerto Rico were bitter over the issue of not having representation in the U.S. Congress. Munoz Rivera once again voiced his disappointment regarding what he called was the exploitation of his people. As Hauberg (1974) has stated the Puerto Rican people were simply asking for the freedom that they deserve (p.40). By and large Puerto Rican leaders were discontent that their people did not have the means to voice their grievances on issues of economic and social significance. Even under the Spanish, Puerto Ricans were granted the right for true representation in regards to their national affairs. Under the Sagasta Pact of 1897 the Spanish reserved 17 parliamentary seats representing each of the regions of Puerto Rico (Hauberg, 1974). After months of deliberation the United States Congress half-heartedly agreed on a compromise. Ultimately, Puerto Rico was awarded, "one delegate to the U.S Congress, a Resident Commissioner, with a voice but no vote" (Perusse, 1990, p.17). In many ways the Resident Commissioner became a symbol of what was a territory that was neither heard nor respected. Under the current situation, Munoz Rivera (as cited by Luxner, 2000) expressed his resentment by stating, "In 1901, only a few of us distrusted the United States. Today we are all beginning to realize that we have been deceived" (paragraph 10).

The Jones Act

The people of Puerto Rico had to wait for another 17 years in order to perpetuate some further changes with respect to their relationship with the United States. Up in arms Munoz Rivera, fought emphatically to end the tutelage of his people. Considered one of Munoz Rivera's greatest achievements, the Jones-Shafroth Act, more commonly known as the Jones Act, brought about several new modifications to the Foraker Act of 1900.

Under the Jones Act of 1917 all Puerto Ricans were proclaimed American citizens (Wagenheim, 1970). However, this angered many islanders due to the simple fact that they were not given a choice. In addition, many believed that by altering the status of their citizenship, Puerto Ricans in essence strengthened the mindset of Americanizing the island in favor of statehood and not self-rule. Even Munoz Rivera pleaded for a postponement to the issuance of American citizenship. As he once stated, "we are Puerto Ricans not Americans" (as cited in Johnson, 1980, p.17) and in his eyes by accepting this statute the Puerto Rican people would in a way accept the loss of their identity as a nation with a distinct culture who are proud of who they are and of what they fought for in years past. Underneath their perceived diligence the United States had again deceived the people of Puerto Rico by concealing the real reason why they were so adamant in passing the Jones Act through Congress.

During the early months of 1917 the world was consumed by the devastating events of World War I. During this period, the United States was fairly sure that it was only a matter of time until they entered the war against the Germans. Ironically, the United States's rapid decision to ratify the Jones Act came just a year before it failed to pass through Congress. By including the clause of citizenship as part of the Jones Act, the

island's male population was mandated by law, as were all American citizens, to register for the military draft during times of war (Wagenheim, 1970). Imagine being recruited into an army whose nation you were not a part of: Fighting for those who forced you through the frightful experiences of war when you were neither able to hold a position in the national government nor vote for candidates of national office. One can not blame the Puerto Rican people for the resentment that they felt toward the United States government. They were prisoners within their own country, forced to accept the loss of their identity as the United States paid attention to their own interests.

The Jones Act also brought changes to Puerto Rico's civil government. For one, all Puerto Ricans were finally presented with the liberties of the United States Bill of Rights (Perusse, 1990). Along with a new Bill of Rights, Puerto Ricans were given the opportunity to freely elect their own Senate, which initially was the upper chamber of the their legislature. However, despite these changes the constitutional status of Puerto Rico was unchanged by the Jones Act. As stated by Perusse (1990), "the island continued as a colony under the American flag, or in terms of U.S. constitutional law, an unincorporated territory" (p.21). In many ways the Jones Act was a considerable milestone for the people of Puerto Rico. Many political leaders were finally adjusting to the bureaucratic mindset that was so prevalent amongst the political factions in Washington.

Despite the political problems, Puerto Rico suffered economically by the occupation of the United States. Since the days of the Spanish Monarchy the island was for the most part based on a one crop agrarian economy. Sugar was Puerto Rico's most prevalent commodity. Even though they cultivated a variety of other fruits, it was the sugar plantations that perpetuated their economy. But like most colonial possessions, the

exploitation of the land and its citizens was a common foresight that belittled Puerto Rico throughout its history.

The Monopolization of the Sugar Industry

Under the United States little was to be done regarding the abuses that consumed virtually every aspect of Puerto Rico's economic state. On the contrary, things became worse upon their arrival. Landowners throughout the island were unable to withstand the rigorous pressures of a depleted economy. Unable to pay the expenses of the land and the labor required to harvest the crop, many farmers were left with out a choice except to sell their plots of land in order to avoid bankruptcy. Many American corporations, upon hearing of the desperation of the farming community in Puerto Rico, took this as an opportunity to buy land at a very cheap price. Powerless over the rampant monopolization of their land, many of the remaining farmers were often forced to sell their land as well.

By the mid 1930's, American corporations had bought over half of all the farming land in Puerto Rico. The Bailey and Duffie Study (as cited by Maldonado-Denis, 1972), one of the best studies illustrating the consumption of the Puerto Rican economy by North American capital, clearly supports these facts. As it was concluded in the study: "at the beginning of the 1930's sixty percent of the sugar production was controlled by four absentee corporations (all four residing in the United States), the same could be said of eighty percent of the tobacco industry, sixty percent of the banking services and one hundred percent of the shipping sector" (Maldonado-Denis, 1972, p.74). In light of these statistics one is able to realize the overreaching absorption of the island's industrial

means. With the economy being dominated by a handful of American corporations, the island's wealth was, for the most part, enjoyed outside of its borders while the island's citizens lived in a ravaged state of poverty.

Looking back at this period, Johnson (1980) agrees with Maldonado-Denis (1972) in respect to the exploitation of Puerto Rico. As she states in her book, Puerto Rico: Commonwealth or Colony?, Johnson (1980) blames the, "United States as being responsible for the monopolization of the sugar industry, the expectance of absentee ownership and the creation of a Puerto Rican bourgeois class dependent on the United States" (p.13). Many of these corporations could not resist the financial possibilities of venturing into Puerto Rico. For one, Puerto Rico had a large labor force willing to work long hours and for meager wages. Secondly, many of the sugar and fruit companies back in the United States were convinced that the combination of fertile land and the abundance of rainfall in Puerto Rico was the perfect setting for cultivating an assortment of different fruits, vegetables, tobacco, and especially sugar. Looking at the numbers, the operating costs of doing business in Puerto Rico was much less when compared to what they were spending back in the United States. Thus, as the years went by, virtually all of the profits that were once enjoyed by Puerto Rican landowners fell in the hands of foreign corporations. Destined to relive their past, many blamed the American political system for allowing foreign capitalists to convert Puerto Rico into an island sweatshop (Hauberg, 1974).

The fact of the matter is, all four of the big absentee companies disregarded laws that prohibited the consumption of excessive amounts of land. Under one of the provisions of the Foraker Act known as the "The Five-Hundred Acre Law" corporations

were not permitted, under any circumstances, to own or control more than 500 acres of land (Hauberg, 1974). The Big Four, or King Sugar as they came to be called, felt that they were above the legal system and since no one really challenged their authority they continued buying everything and everyone in site. For example, by the mid 1930's the Eastern Puerto Rican Sugar Company, the biggest of the four absentee companies, owned or managed over 41,000 acres of land (Hauberg, 1974, p.44). The Central Aquirre had in its possession over 39,000 acres of land (Fernandez, 1992, p.74). South Puerto Rico Sugar owned or controlled 24,000 acres of land (Fernandez, 1992, p.74). As for the last of the King Sugar corporations, the Fajardo Sugar Company, in total it held claim to over 27,000 acres of land (Fernandez, 1992, p.75). Under these circumstance it was no surprise that Puerto Rican citizens saw the disappearance of their farming communities. With the economy under the control of a handful of corporations these individuals became expendable commodities. As victims of capitalism it was the American political system that allowed the absentee owned corporations to absorb much of the land owned by the small independent farmer. Families throughout Puerto Rico watched these corporations get richer while they suffered through the day to day struggles of poverty.

Roosevelt's New Deal Programs

By the 1930's, Puerto Rico finally began to reform their current social and economic situation. Up to this point the island was still suffering from the same basic problems that had relegated them into the hands of the United States. Belated by staggering levels of unemployment, rampant disease, and the presence of widespread poverty, political leaders joined forces in order to, once and for all, combat these

perpetual problems. For the time being Puerto Ricans put aside their desire for resolving their status woes and concentrated on improving the economic and social conditions of the island. Back in Washington, President Hoover was impressed by the initiative of Puerto Rico's leaders. As a helping hand Hoover appointed Theodore Roosevelt Jr. as the new governor to the island. For the first time the island had a governor who understood what they were going through. Roosevelt, from the beginning, surrounded himself with able Puerto Ricans (Carrion, 1983). He was compelled to bring an end to the dismay of the island he once characterized as the gem of the Caribbean.

Upon arriving on the island Theodore Roosevelt had a plan. In what came to be none as his New Deal programs, Theodore Roosevelt created, "several economic incentives for both the private and public sectors" (Gonzalez-Cruz, 1998, p.14). As a governor, Roosevelt's first goal was to provide relief to the island's poor and disgruntled population. Overtaken by the disturbing neglect that he saw among the adolescent population, he felt the need to change the educational system on the island. He created new schools where children would have the opportunity to open their minds to the world around them. Roosevelt also organized the opening of "vocational schools and agricultural centers to help establish small farmers on their own land" (Carrion, 1983, p.216). He felt that education was essential if Puerto Rico was to ever improve their social and economic situation. By reforming the educational system he believed that many of Puerto Rico's social and economic problems would be resolved. Touching on the words of Henry Brougham, "Education makes a people easy to lead, but difficult to drive; easy to govern but impossible to enslave" (as cited in Merriam-Webster's

Dictionary of Quotations, 1992, p.113), one can relate to Theodore Roosevelt's intentions and belief in regards to the power of education.

Even though Theodore Roosevelt governed the island for only 2 years, he initiated many excellent programs. One of his most successful New Deal programs was the Puerto Rican Emergency Relief Administration (PRERA). The PRERA directed the disbursement of, "food surpluses and emergency programs to reduce unemployment, as well as direct aid to the needy" (Monge, 1997, p.96). Many of the poor welcomed this aid as a way to get themselves back on their feet. Monge (1997) estimates by 1934, "over 35 percent of the population qualified to receive some form of aid from PRERA" (p.96). Clearly the PRERA proved to be beneficial for the plight of the island, but upon looking at the big picture, Puerto Rico, during this period, still had over 80 percent of its inhabitants living under the poverty level.

Despite the anguish resulting from increased unemployment and the retched effects of poverty, Roosevelt tried to also stabilize Puerto Rico's financial dilemma. A year after organizing the PRERA, Roosevelt embarked on what came to be called the Puerto Rican Reconstruction Administration (PRRA) (Johnson, 1980). Through this program, Roosevelt planned to modernize Puerto Rico's industrial sector. In his opinion, Puerto Rico would need to be self-sufficient if it were to survive in the future. He defended the construction of new factories and the introduction of modern technology for the revitalization of Puerto Rico's agricultural population. In 1934, as governor, Roosevelt stressed emphatically that in order to promote economic rehabilitation in Puerto Rico the government needed to find new methods and new resources targeting the industrialization of the island (Bhana, 1975, p.13). It is at this point that Roosevelt ran

into a roadblock. Many politicians back in Washington were reluctant to give Puerto Rico the ability to modernize their economy. According Johnson (1980), "they resented the New Deal and opposed social and economic changes under which their own power was threatened (p.23).

Lois Munoz Marin: His Role to Renew Puerto Rico's Economy

Even after the retirement of Theodore Roosevelt, the floodgates for change remained open. Political leaders in Puerto Rico were determined to follow through with what he had started. In the years to follow political leaders such Munoz Marin, the son of the devout Munoz Rivera, eagerly emerged as the new voice against absentee ownership and colonial tutelage. For the first time, Munoz Marin headed an effort to reshape a colonial economy which was largely based on absentee ownership (Carrion, 1983). Munoz Marin, for the most part, modeled Roosevelt's New Deal initiatives. At the top of his agenda was the enforcement of the 500-acre law. According to the Brookings Institution Report (as cited in Carrion, 1983), "By 1917, 477 individuals, partnerships, and corporations possessed more than 500 acres with an aggregate of 537,193 acres or 26 percent of all the rural land" (p.217). Even Theodore Roosevelt acknowledged the injustices that involved the absentee owned sugar corporations. However, as governor, Theodore Roosevelt knew that many of his colleagues, in Puerto Rico and back in Washington, had financial investments in the sugar industry. And for him to cross that line meant irreversible damage to his political career.

Munoz Marin, on the other hand, had nothing to loss but everything to gain. As the voice of his people, Munoz Marin fought for the, "promotion of an equitable

distribution of wealth" (Monge, 1997, p.96). By enforcing the 500-acre law he planned to set up a land-distributing agency enabling the poor to own land. Munoz, from the beginning, wanted to give all Puerto Ricans a chance to own land and the opportunity to provide for themselves (Fernandez, 1992). He also wanted to incorporate part of the sugar industry within the governmental confines. His vision was to have the government own a small portion of land that would be used for growing and refining sugar. These profits would in turn be used to assist the poor and to revitalize the islands metropolitan sectors. Unfortunately, Marin's plan was not well received when he stood in front of the U.S. Congress. Even back home many opposed the plan due to their financial investment in the sugar industry.

Like his father, Munoz Marin was not a quitter. He valued his work too much to abandon it due to the set backs of his programs. Looking back on Munoz Marin's life he was always faced with adversity. As a son to a great politician, he was always trying to live up to those same expectations. For most of his adolescent life, Munoz Marin lived as a byproduct of two cultures. Due to his father's political affiliation, he spent his youth traveling back and forth from Puerto Rico to the United States. As a result, his early education was achieved both on the island and in New York City (Hauberg, 1974). This gave him the opportunity to write and speak flawlessly in both Spanish and English. Later he went on to study journalism at Colombia University and law at Georgetown University (Hauberg, 1974). Munoz Marin became a gifted intellectual who excelled as a spokesman and as a writer. Like his father he used these gifts as a means to bring awareness to the social and economic injustices that occurred in Puerto Rico. In the United States he wrote feverishly in leading publications like The Nation and The American Mercury regarding

the plight of his people, the improprieties of the sugar industry, and Puerto Rico's fight for self determination (Carrion, 1983). Back in Puerto Rico, Munoz Marin used these same methods as a way get support for his political platform. Upon arriving to Puerto Rico, he capitalized on his writing ability by writing various articles in La Democracia, a family owned newspaper, demanding social and economic changes throughout Puerto Rico. Committed to his fight against absentee ownership and colonial tutelage he used his 30 years of experience in the United States to begin his political career as one of Puerto Rico's most famous statesman.

For the next 40 years, Munoz Marin brought change to virtually every facet of Puerto Rico's social and economic framework. As the leader of the Popular Democratic Party (PDP) in Puerto Rico, Munoz Marin surrounded himself with experienced individuals from both the political and the intellectual arenas. In his eyes, Puerto Rico was ripe for a revolution not by way of violence but through the tedious motions of negotiation. Having grasped the methodology of American politics, Munoz Marin understood the bureaucratic mentality that plagued politics in the United States. He knew that in order to have success as a political party in Puerto Rico, they would have to be willing to work hand in hand with the United States government. And that meant having to accept the way things were accomplished in Washington. Munoz Marin found it easier to work with in the system instead of fighting it every step of the way. For Munoz Marin this was not a hard hurdle to overcome. Unlike his opponents, he had a circle of friends, such as Franklin D. Roosevelt, Rexford Tugwell, and Harold Ikes to name a few, who in many ways respected and often supported his initiatives in Puerto Rico.

Under his leadership, the PDP became the main political party in Puerto Rico. During his 24 years in power, Wagenheim (1974) insists, that as its leader, "Puerto Rico experienced more change than in all of the four previous centuries" (p.73). He is responsible for the "promotion of a new government, the building of an industrial economy and for the great leaps forward in health and education" (Wagenheim, 1974, p.73). It was Munoz Marin who brought Puerto Rico out of the dark ages and into the modern state that it is today.

Looking back at his administration, one of the pivotal points in Puerto Rico's history was the approval by the U.S. Congress to enforce the 500-Acre law. After years of red tape and the backing of his supporting cast in Washington, Munoz Marin was able to begin dismantling the absentee owned sugar corporations. Under what came to be known as the Land Law Act of 1944, the government of Puerto Rico would have the authority to recover any land from the absentee owned corporations that exceeded 500 acres. Munoz Marin was overjoyed. This meant that he was able to fulfill his campaign pledge of, "putting an end to the existing corporative latifundia in this island...provide the means for the agregados (squatters) and the slum dwellers to acquire parcels of land on which to build their homes" (Johnson, 1980, p.28). Munoz Marin moved quickly and established the Land Authority, who was tasked with the redistribution of the land acquired by the Land Law Act. This was achieved in three ways. One, the Land Authority Commission, "created small farm unites between five and twenty-five acres in size, to be purchased by individual households" (Bhana, 1975, p.43). Second, "Proportional-Profit Farms" would be set up. This initiative called for a program of farms, ranging from 100 to 500 acres, where the farm, "was to be run by an experienced manager and workers, all of whom

were to receive wages plus proportionate shares of profit for the whole operation" (Bhana, 1975, p.43). And lastly, the Land Authority established the homesteading program. This program made small tracts of land available to the agregados (landless peasants), who, upon receiving land, agreed to build or move his or her house on the land within 120 days (Bhana, 1975, p.43). Munoz Marin not only upheld his campaign promise, he brought an end to the monopolization of Puerto Rico's land. Many of the sugar corporations were forced to work with Puerto Rican authorities in order create a business arrangement that stood to be beneficial for both parties.

The Chardon Plan

Finding ways to bring social and economic changes into Puerto Rico was by no means an easy task. Munoz Marin and his "brain trust" were often criticized for the types of measures they supported. This was especially true with some of the New Deal programs and what later came to be known as the Chardon Plan. The Chardon Plan was basically an extension to Roosevelt's New Deal initiatives. Munoz Marin integrated many of Roosevelt's ideas on economic reform and employed them into some of his own political ambitions. To an extent his plan embodied a socialistic philosophy. Many of his early ideas on economic reconstruction came from Rexford Tugwell, an economics professor from Colombia University who had become, "known for his socialistic economic views through a series of books and articles" (Bhana, 1975, p.40). Tugwell, the governor of Puerto Rico from 1941 to 1946, and Munoz Marin agreed on a variety of economic programs. Both, however, believed that Puerto Rico would best be suited by what Tugwell (as cited in Hauberg, 1974), called, "cooperative planning between

government and business" (p.72). In other words, they sponsored the creation of government owed industries in order to facilitate the needed capital for modernizing Puerto Rico's industrial capacity.

Like Theodore Rossevelt, both of these individuals believed that if Puerto Rico was to survive in the future, it was essential for the island to be self-sufficient. They undertook a variety of government run projects which included: the building of a hydroelectric facility, the construction of a cement factory, the construction of a shoe and leather corporation, a paper factory, and the acquisition of a glass and cardboard factory (Monge, 1997, p.96). Each of these government run industries helped Puerto Rico become less dependent on others and more willing to look within themselves for needed resources. Slowly but surely, Munoz Marin gained popularity through out the island. From his actions and his success in alleviating some of the economic pressures, many citizens began to see Munoz Marin as a man of his word.

By the end of Rexford Tugwell's tenure as governor, Puerto Rico's socioeconomic policy began to digress from its once favorable outlook. Many of the state owned corporations were not meeting their expected success. Financially, four out of the five corporations were unable to post profits in the 4 years they were in business. Except for the Puerto Rican Cement Corporation, the four remaining industries were disappointments. Their difficulties were attributed to the lack of investment from local investors and from the insufficient funds that were eventually appropriated from the federal government in the United States.

From the start Puerto Rico was promised financial support from the federal government in its efforts to reconstruct and rehabilitate the local municipalities on the

island. Under the Federal Relief Act, the U.S. Congress in 1935 allocated over \$75 million dollars in support of Munoz Marin's and Theodore Roosevelt's New Deal programs. This, however, fell substantially short of what Puerto Rico actually received. By 1939 Puerto Rico's federal aid package totaled a meager \$16.5 million dollars (Fernandez, 1992, p.121). Under these constraints many of the state owned corporations had difficulties purchasing the necessary resources that were needed for production.

From the beginning many of Puerto Rico's government owned corporations struggled to survive financially. Without the necessary capital, these corporations were incapable of purchasing modernized machinery that would allow them to keep up with the rising demands of their economy. Along with the lack of capital, these corporations had a difficult time recruiting a skilled labor force. In effect, even if they had the machinery that they needed they would have had difficulty in finding the manpower to operate these machines. The problem was not the lack of labor, but Puerto Rico's disproportionate amount of skilled personnel. But what contributed to these predicaments was the simple fact that these state owned corporations employed such a low number of workers. Both Munoz Marin and Teodore Moscoso had planned to employ over 10,000 employees within their government owned corporations. As a matter of fact, by 1947 the number of employees working in these facilities was a mere 1,500 (Bhana, 1975, p.189). In an interview with Johnson (1980), Munoz Marin explained, "that the island-owned industries cost so much and employed so few that attracting outside industry was economically necessary" (p.39). After years of trying to improve the situation, Puerto Rico finally decided to take a step back and venture into a different direction. Starting in 1947 Munoz Marin and Teodore Moscoso elected to retreat

from their socioeconomic policy in order to redirect Puerto Rico to a more capitalistic economic structure.

Operation Bootstrap

With the end of the Chardon Plan, Puerto Rico shifted its policy from the government-sponsored enterprises towards the acquisition of private capital. However, Munoz Marin's political aspirations remain unchanged. He never ceased his fight against the social injustices of the island and his advocacy to industrialize Puerto Rico into a modern state. After failing to reach their economic expectations with the Chardon Plan, Munoz Mairn and Teodore Moscoso organized their efforts towards a new policy none as 'Operation Bootstrap' (Bhana, 1975, p.46). In evaluating the island's economic situation Carrion (1983), tends to agree with Munoz Marin's move, by affirming "Puerto Rico's need for a new developmental model that could create more and better jobs, promote social mobility, and expand the business and entrepreneurial base of the economy" (p.269). The Chardon Plan simply moved too slow for what was needed in Puerto Rico. Operation Bootstrap invited foreign corporations from around the world to invest into Puerto Rico's economy. Behind this economic reorganization Munoz Marin and Teodoro Moscoso continued with their plans for industrialization but this time they welcomed private enterprise as being part of their solution.

Like Munoz Marin, Teodoro Moscoso was born and raised in Puerto Rico but was formally educated in the United States. He attended the Philadelphia College of Pharmacy and the University of Michigan (Hauberg, 1974) During these years Moscoso had achieved an admiration for pharmaceuticals and the effects of capitalism on a modern

economy. It was in the field of business that Moscoso really made a name for himself, especially in Puerto Rico. His knowledge in the fields of economics and business are what attracted many political officials to pressure Moscoso into joining politics. As a politician, Munoz Marin, from the beginning, admired Moscoso's dedication to his work and was astonished at the vision that he had for managing Puerto Rico's economy. Upon recognizing the value of such a man, Munoz Marin went out of his way to insure the inclusion of Moscoso in the Popular Democratic Party (PDP). In the years to come it was Teodoro Moscoso who orchestrated the industrialization of Puerto Rico. After Rexford Tugwell's retirement and the dismal results from their socialistic endeavors, it was Moscoso who, "saw industrial capitalism as a way to turn the island's economy around" (Carrion, 1983, p.269). For the next 30 years Puerto Rico's economic development revolved around the capitalistic ideologies that were introduced under what came to be known as Operation Bootstrap. Never in its history has Puerto Rico gone through a period of such economic growth. Operation Bootstrap, in many ways, transformed the island into one of today's most successful economies in Latin America.

One of the first obstacles which Puerto Rico had to face was the issue of what to do with the five government owned corporations whose performance fell well below their desired outcomes. It was agreed, since they strove to bring in the investment of private capital, that all five of the corporations would be sold to the highest bidder (Hauberg, 1974). The Puerto Rico Shoe and Leather Corporation was sold to a reputable corporation from California (Hauberg, 1974). The rest of the four subsidiaries were later sold, "to the wealthy Ferre family of Puerto Rico for an attractive \$10.5 million (Bhana, 1975, p.193). The liquidation of these companies showcased Puerto Rico's new commitment to

bringing private capital into their economy. Their overall goal was to promote private investments, especially from the United States, in order to facilitate the emergence of heavy industry and manufacturing on the island.

From the beginning, Teodoro Moscoso tried desperately to attract American corporations with distinguishable reputations. As the head of the Economic Development Administration (EDA), Moscoso campaigned throughout the world in order to instill awareness to the capabilities and benefits that Puerto Rico had to offer. Marin and Moscoso launched a concentrated promotional campaign in many of the major publications like Time, Newsweek, and The New Yorker (Bhana, 1975). For the most part, businessmen were interested in what Puerto Rico had to offer in terms of new factories and by their advances in industrialization. But what was not being mentioned was how Puerto Rico differed from other third world countries who were also competing for private investments from abroad. Both Marin and Moscoso thought about this issue for quite some time. They asked themselves: "What do the investors want? What can we do to make them happy?" (Fernandez, 1992, p.170). Is there something we can offer them in order to persuade them to invest into our economy?

Upon analyzing these questions both men revealed various incentives that they believed were essential in their efforts to capture investments from a variety of reputable corporations. In Puerto Rico's case their large labor force stood as an advantage. Even though the island struggled with unemployment, many corporations saw this as an opportunity. Since Puerto Rico was termed as an "unincorporated" territory and later as Commonwealth of the United States they were exempt from following the minimum wage laws. Many corporations viewed this as a way to minimize their expenses. Wages in

general were much lower when compared to what workers were being paid in the United States. Furthermore, Puerto Rico established training curriculums through their Aid to Industrial Development Program (AID) which enabled corporations to recruit employees on the island and have them trained free of charge to the manufacturer (Bhana, 1975). In addition, the Puerto Rican government agreed to assume the responsibility of constructing the necessary facilities for those foreign industries deciding to relocate their operations onto the island. By 1947 Operation Bootstrap caught the eyes of a number of big name corporations. By the end of that year, Puerto Rico's financial possibilities became irresistible by exploiting their economic relationship with the United States.

The Implementation of Section 936

In May 1947 the U.S. Congress and the Puerto Rican legislature passed the Industrial Tax-Exemption Act, commonly known as Section 936 of the Internal Revenue Code (Bhana, 1975). These provisions stated that the Puerto Rican government exempted new manufacturing establishments from paying virtually all of the taxes they were liable for back in the United States. Basically, new industries were excused from paying: federal income taxes, profit taxes from their business establishments on the island, local taxes for license fees and excises, and municipal and local government taxes levied on the firms property (Bhana, 1975). For a period of 10 years corporations that established new facilities on the island operated tax free due to the revision of the island's tax code. This event marked a turning point for the future of Puerto Rico's economy.

With these changes foreign industries wasted little time in taking advantage of the opportunity offered under Operation Bootstrap. Over the next few years hundreds of

corporations started opening new factories throughout Puerto Rico. In that first year 18 new factories were built by the FDA, which was the department in charge of the industrialization programs in Puerto Rico (Johnson, 1980, p.39). In 1950 there were 82 new factories that chose to transfer their whole or part of its operations to Puerto Rico (Johnson, 1980). At one point the Puerto Rican government was barely capable of keeping up with the construction of all these new establishments. By 1961 Johnson (1980) notes that, "Puerto Rico was opening new factories at an average rate of five per week and between 1947 to 1965 there were 1,027 new manufacturing plants located on the island" (p.39). The majority of these companies were companies that concentrated on manufacturing or heavy industry. They were predominantly involved in the production of: textiles, apparel, chemicals, fabricated metals, electrical equipment, petroleum, and pharmaceuticals. These labor-intensive industries were exactly the types of organizations Munoz and Moscoso had hoped to attract.

The primary reason that many of these corporations opted to relocate to Puerto Rico was because of the tax exemption being offered by the government. Bhana (1975) agrees with this notion, declaring that, "the tax-exemption was by far the most important factor in attracting mainland capital" (p.198). In his study, 95 percent of the 44 companies he polled attributed tax exemption as the primary reason why they chose to move their operations to Puerto Rico (Bhana, 1975). Obviously, Operation Bootstrap was a great success. Puerto Rico's economy began to thrive. In the 1960's their economy was one of the fastest growing in the world. Since its inception, the island's economy has grown at a 10 percent rate yearly, outpacing virtually all the countries in the European Common Market (Wagenheim, 1970). There were few nations in the world that matched

Puerto Rico's financial success during this timeframe. But along with the success came various drawbacks.

Both Munoz Marin and Teodoro Moscoso, from the beginning, were concerned over the island's increasing dependence on U.S. capital. For the most part, Operation Bootstrap attracted U.S. industries. Fernandez (1992) estimates, "over 78 percent of all firms established in Puerto Rico belong to foreign stockholders, a majority of them being North American" (p.165). Some actually believe that U.S. investments on the island are closer to 90 percent if not more. In many ways Puerto Rico's economy was, and still is, more dependent on the United States than ever before. A significant portion of their market is, in one way or another, based on their direct relationship with the United States.

Proof of this can clearly be attributed to Puerto Rico's trading policy. They import virtually all of their products from the United States and in turn export what they produce back into the same market. On an average they import close to 90 percent of all their products from the U.S. and export approximately 95 percent of their goods back to the United States (Bhana, 1975, p.200). In view of these statistics, one can understand the predicament Puerto Rico is in. Without the U.S., Puerto Rico's economy would without a into dire straits. This will be one of the issues that will be analyzed further in the upcoming chapters.

The other issue that was brought to light was unemployment. Throughout Puerto Rico's history its citizens have had to battle severe unemployment. At its low point during the Great Depression one third of the island was unemployed. The emergence of Operation Bootstrap did help the situation but the economy was unable to sustain the tremendous increases to the population. Like most newly industrialized nations, the

improvements in social and economic conditions raised the standard of living on the island by providing better health care and sanitation to its citizens. Still with

unemployment stabilizing at an average of 14 and 19 percent between 1948 and 1970,

government officials were at a loss as to how to solve this perpetuating problem. Johnson (1980) stated that, "What the factories were actually doing was giving jobs to the already

employed, the elite of the agricultural wage laborers" (p.40). In effect, many of these new industries were simply employing the skilled professionals while ceasing to hire the

customarily unemployed working class citizen. Even today Puerto Rico has failed to

solve this dilemma. Some are actually questioning the overall success of Operation

Bootstrap. Did it in the end benefit the island as a whole or did it in reality benefit the

industries who took full advantage of Puerto Rico's incentive package?

Conclusion

The purpose of this chapter was to provide the reader with background

information about Puerto Rico's economic history. Many things have changed in Puerto

Rico since the arrival of the United States in 1898. One of the most significant changes

that occurred on the island was the modernization of their industrial infrastructure. Due to

the investment of private capital into Puerto Rico's economy, the island has transformed

itself into one of the fastest growing nations in all of Latin America if not the world.

Operation Bootstrap made all this possible, but was it worth it?

In the next chapter we will analyze the tax incentives that were offered in Puerto

Rico and how they were directly responsible for attracting the pharmaceutical industry to

the island. The main focus of the next chapter will be on the entrance of the

pharmaceutical industry to the island and the role these tax incentives had on their operations and whether or not they were favorable in helping Puerto Rico stabilize the fluctuation of their economy.

Chapter III

SECTION 936 AND THE EMERGENCE OF THE PHARMACEUTICAL INDUSTRY IN PUERTO RICO

Puerto Rico has come a long way in the last 50 years. It was not until the implementation of Operation Bootstrap, with its tax incentive programs, that the island became industrialized into a modern state. With these initiatives in place Puerto Rico saw the arrival of some of the worlds most renowned corporations. Companies like Texaco, Pfizer, General Electric, Microsoft, Hewlett Packard, and many more, transformed Puerto Rico's one-crop agrarian economy to one of today's most distinguishable manufacturing locations in the world. The manufacturing sector has since dominated Puerto Rico's economy. It has by far been the island's most profitable means of producing revenue. An important ingredient in transforming Puerto Rico's economy has been the pharmaceutical industry. Responsible for the manufacture of over the counter and prescription drugs, the pharmaceutical industry was unable to resist the attractive incentives being offered in Puerto Rico. Since the late 1960's, numerous pharmaceutical firms have moved their operations to the island. Their primary reason for moving to the island were the generous tax breaks being offered under Section 931 and later Section 936 of the Internal Revenue Code. As it was stated in the Monthly Labor Review (as cited in "Drug manufacturing jobs," 1995), many pharmaceutical companies were attracted by these tax breaks because, "their low per-unit raw material, manufacturing, and shipping costs made production at a remote site feasible, and the large profit margins they required to recover their costly research investments would be covered by the credit" (paragraph 1). After years of being awarded these privileges, many politicians in

Washington questioned the effectiveness of Section 936 to Puerto Rico's economy. Who are the real beneficiaries of Section 936; is it the pharmaceutical firms or Puerto Rico's economy? As was mentioned earlier, these tax exemptions were presented to foreign investors, for the most part U.S. corporations, in order to stimulate Puerto Rico's industrialization efforts and to create more jobs on the island. Since the pharmaceutical sector received nearly half of all the subsidies of Section 936, a number political leaders have proclaimed that these companies have abused the system by their minimal contributions to Puerto Rico's economy.

Now that the U.S. Congress has decided to gradually eliminate Section 936, many politicians in Puerto Rico are wondering how this will effect their economy. Will many of the mainland companies, including the pharmaceutical firms, move to other tax havens around the world? These are a few of the issues that will be looked at in this chapter.

The Migration of the Pharmaceutical Industry to Puerto Rico

With the success of other manufacturing industries in Puerto Rico, such as petroleum, textiles, and electronics, many pharmaceutical firms followed and moved their operations to the island. By the late 1960's a surge of pharmaceutical corporations began arriving into Puerto Rico. The industry as it is stated in Euromoney (as cited in "Puerto Rico," 1994) is very well represented throughout the island. Big name firms such as American Home Products, Johnson & Johnson, Bristol-Myers-Squibb, Schering-Plough, Zeneca, Smithkline Beecham, Merck, and Pfizer, established manufacturing plants in Puerto Rico ("Puerto Rico," 1994). By driving on Highway 2 in Puerto Rico, one is able to see some of the most sophisticated pharmaceutical operations in the world. In all,

Puerto Rico has over 100 manufacturing plants developing and producing some of the leading pharmaceutical products that are used in today's health care industry. Like most industries, the primary reason that many pharmaceutical companies chose to invest in manufacturing operations on the island was because of the tax breaks offered by Section 931 of the Internal Revenue Code. Under these circumstances mainland corporations, "were able to take a 100% tax credit on any profits earned from doing business in U.S. possessions" (Gold, 1993, paragraph 2). In addition, Section 931 and later Section 936, exempts U.S. corporations from paying federal income taxes as well as local taxes.

It is quite obvious why so many pharmaceutical corporations decided to move their operations to Puerto Rico. With such a favorable taxing policy in place pharmaceutical corporations managed to generate enormous profits from these subsidiaries. Bhana (1975) estimates that through the tax exemptions in Puerto Rico a corporation had the capability to increase their profits by as much as 87 percent. This was especially true in the case of the pharmaceutical industry. By moving their operations to a U.S. possession like Puerto Rico pharmaceutical firms were able to produce a variety of prescription drugs for a fraction of the cost when compared to facilities in the United States. Along with those inducements, drug companies capitalized significantly from Puerto Rico's lucrative shipping policy. Essentially, drug companies would produce their designated products and ship them back to the U.S. market. However, since Puerto Rico was considered a U.S. possession and a not state, the island is considered to be, "within U.S. trade barriers but outside of the U.S. tax jurisdiction" (Del Rio, 1998, p.10). This meant that pharmaceutical companies were exempt from paying any taxes or tariffs on

pharmaceutical companies from terminating their operations on the island. Some of these

In actuality, it was the implementation of Section 936 that kept many

termination of their tax exemption period.

corporations to become permanent fixtures on the island instead of leaving upon the
bolstered Puerto Rico's local economy but in many ways it persuaded many mainland
from paying any taxes on their financial investments in Puerto Rico. This not only
actually lured not by the interest they incurred but from the guarantee that exempt them
reimbursed to the parent company upon the liquidation of their funds. Companies were
incentive behind these investments was based on the high interest payments which were
percentage of their earnings to the Puerto Rican banking sector (Grusky, 1996). The
revision affirmed that corporations under the 936 statute were required to reinvest a
sourcing debt problem. The new tax code directly addressed this financial dilemma. The
economy. During the early 1970's the Puerto Rican government was plagued by a
The new tax reform act or Section 936, played an integral part to Puerto Rico's

Defining Section 936

investments from big name corporations.
Code (Talbot, 1995). The policy re-energized Puerto Rico's economy by attracting new
Reform Act of 1976, Section 931 was replaced with Section 936 of the Internal Revenue
United States formally revised Section 931. Under what came to be called the Tax
modernizing their manufacturing sector. In their continued effort Puerto Rico and the
the tax incentives which were offered in Puerto Rico played a significant role in
the products they shipped between the two territories. Looking back, it is fair to say that

companies have been in Puerto Rico for over 35 years. Companies like Johnson & Johnson and Bristol-Myers-Squibb have become household names to virtually every citizen living in Puerto Rico. Their financial contributions to the government and other local institutions have had a significant impact in stimulating industrial development and the rise in the standard of living for the average citizen.

Outside of Section 936, the pharmaceutical industry was attracted to Puerto Rico for various other reasons. On an island with over 3 million inhabitants, corporations were able to select from an extremely large labor force. Over the years, with a sharp rise in the standard of living, many of Puerto Rico's citizens obtained a college education or attended vocational programs. The talent of the workforce, Celestino (1999) urges, "is what makes Puerto Rico a world class manufacturing center for a pharmaceutical industry which operates under a highly technological environment" (paragraph 22). Certainly, management saw this as an added benefit when comparing the possibilities of other countries, which in many cases lacked a well-trained workforce. But like in any business, revenue became the determining factor as to the reason why so many pharmaceutical firms chose Puerto Rico. Again, since Puerto Rico was considered a U.S. possession and not a state of the union, corporations were exempt from following the United States minimum wage laws. In retrospect pharmaceutical firms were allowed to employ their work staff at remarkably lower salaries. Taking this into account, along with the incentives offered under Section 936, drug companies saw a win-win situation in Puerto Rico. In their eyes, both the Puerto Rican economy as well as the pharmaceutical industry had a lot to gain from moving their mainland operations to the island.

The Positive Effects of the Pharmaceutical Industry in Puerto Rico

Considering the enormous profits the pharmaceutical industry earned from its operations, Puerto Rico shared collectively with the success of these companies. With over 100 manufacturing facilities throughout the island, the pharmaceutical industry has helped the island cope with many of their financial uncertainties (Maldonado, 1983).

Over the years drug companies employed a sizable labor force. Recent numbers showed that the pharmaceutical sector was responsible for nearly 25,000 direct jobs and over 90,000 indirect jobs (Del Rio, 1998, p.10). In light of these numbers an important point is the high wages the majority of these workers received. Workers who were employed by the pharmaceutical sector enjoyed some of the highest incomes on the island. As a result, these workers were significant players in the growth of Puerto Rico's consumer market. Their higher wages enabled these individuals with the purchasing power of two to three times that of an average citizen. Taking this into account, we can directly conclude that workers employed by the pharmaceutical industry have positively influenced Puerto Rico's economic activity.

Another pertinent contribution the pharmaceutical industry had in Puerto Rico came as a result of their financial investments to the island's banking sector. Noted earlier, Section 936 required a portion of a company's profits to be reinvested. As the chief beneficiaries of Section 936, the pharmaceutical industry invested significantly into financial institutions in the form of government bonds and mutual funds. In turn, certain banks and a number of private borrowers were able to keep these dividends in circulation within the island's financial system (Westlund, 1995). Overall, Grusky (1996) estimates that, "during most of the 1980's and 1990's deposits of 936 corporations composed

between 30 and 45 percent of all commercial bank deposits in Puerto Rico" (p.51).

Ironically, out of the top five companies that contributed substantial financial investments to Puerto Rico's banking sector, three came from the pharmaceutical industry. These funds were a key part to the island's financial system.

Overall, manufacturing corporations under Section 936 have dominated the

Puerto Rican economy. Statistics show that over 80 percent of all manufacturing production, as well as 65 percent of manufacturing employment, can be attributed to

companies under the jurisdiction of Section 936 (Grusky, 1996, p.7). It is estimated that between 1950 and 1990 over 300,000 new jobs have been created as a direct result to

these tax breaks. As part of the manufacturing sector, the pharmaceutical industry

accounted for nearly 50 percent of all manufacturing on the island. Unfortunately, several politicians in Washington D.C. have accused a number of Section 936 corporations of improprieties over the way they utilized their tax credits.

The Abuses of the Pharmaceutical Industry in Puerto Rico

The pharmaceutical industry found itself at the top of this list. Congressional

leaders were appalled by the way many of the pharmaceutical firms were abusing the privileges of Section 936. Considered one of the most profitable industries in the last decade, critics felt that pharmaceutical companies used Section 936 primarily for their

own benefit. But in actuality the intent of these tax incentives was for the promotion of economic growth and for the development of new jobs in Puerto Rico (Hoffman, 1993).

Drug companies were charged in acquiring a disproportionate share of Section 936 for

what many believe is dismal compensation for the large tax breaks they received. The tax

breaks have cost the U.S. treasury between 3 to 4 billion dollars per year during the 1990's. According to congressional estimates half of that went to pharmaceutical corporations but at the cost of only creating 18% of all the manufacturing jobs on the island (Rubin, 1996, p.1913). Several politicians were outraged by these figures. Individuals like Sen. David Pryor and Rep. Forney Stark, viewed pharmaceutical companies as being greedy and called their actions an injustice to the taxpayers of this country (Luxner, 1991, p.9A). Needless to say, their anguish soon turned to disbelief. Their findings would threaten the overall future of Puerto Rico's tax incentive program. In further examining the disproportionate policies of the drug manufacturing companies in Puerto Rico, government officials uncovered several blatant abuses regarding the tax credits received for every worker they employed. Records showed that an average Puerto Rican worker who was employed by a pharmaceutical firm received a salary of about \$26,800 (Hoffman, 1993). However, according to the General Accounting Office, for every worker that was employed by a pharmaceutical company the U.S. Treasury would grant them a \$70,700 tax credit at the end of every year ("Drug cost debate," 1992). In effect the pharmaceutical industry made an average profit of \$43,900 per worker. But many of the other big named firms received substantially larger refunds. For example, Pfizer received \$156,000 for every employee they hired on the island, a credit of 636% of the actual salary. Merck pocketed \$110,000 for every employee, 450% more than the worker's salary ("Prescription drug industry," 1994). Things could not have been better for drug companies in Puerto Rico. Thanks to Section 936 their operations posted record breaking numbers on a regular basis.

For over 40 years U.S. taxpayers stood by and watched drug companies get richer. From 1978 to 1994 manufacturing companies in Puerto Rico were awarded over \$3 billion in tax breaks per year (Gold, 1993). With half of that going to the pharmaceutical industry, many questioned the repercussions it has had on the United States economy. The predicament of Section 936 revolves around the fact that it primarily attracts U.S. corporations. Over 98 percent of all 936 corporations migrate from the United States (Bhana, 1975, p.87). The assumption that is being made is that many of these corporations, by relocating their operations to Puerto Rico, have displaced a large number of workers.

The lions share of the blame was put on the pharmaceutical industry. For years drug companies have been publicly scrutinized over this issue. In 1991, American Home Products was brought to court for allegedly shutting down one of their large factories in Elkhart, Indiana (Glastris, 1991). They were accused of closing their Elkhart plant in order to take advantage of the tax breaks in Puerto Rico. This left 775 workers unemployed (Glastris, 1991). Frustrated over the issue, a number of politicians, like Democratic Rep. Pete Stark of California, have introduced bills to deny Section 936 to "runaways" (Glastris, 1991). Rep. Pete Stark blamed Section 936 corporations of deliberately closing mainland operations in order to profit from the generous tax breaks and the cheaper labor in Puerto Rico. A recent study concluded that "between 1980 and 1993, 80,000 mainland workers have lost their jobs directly or indirectly due to plants relocating to Puerto Rico" (Peck & Johns, 1996, p.6). The truth of the matter is that hard working families in the United States, whether it be with their taxes or their job, are the ones who paid for the tax privileges.

Unfortunately, the deceptive tactics of the pharmaceutical were not always obvious. Behind the scenes, many drug companies were able to conceal their inappropriate practices from the U.S. government. Over the last decade drug companies deliberately transferred many of their "intangible assets, such as their drug patents, to their Puerto Rican subsidiaries" (Hoffman, 1993, paragraph 5). The process in obtaining is probably one of the biggest expenses a pharmaceutical company can incur. Pharmaceutical companies spend billions of dollars in the research and development of new drugs. Under Section 936, pharmaceutical companies shifted the expenses of their drug patents so that they would be covered under their corporate tax breaks. A spokesperson from the Oil, Chemical, & Atomic Workers' International Union (OCAW) (as cited in Hoffman, 1993) claims that, "Major drug companies save \$100 million to \$180 million per year by sliding patents to their Puerto Rican subsidiaries" (paragraph 5). Judging from what was being said, one would imagine a generous reduction in the price of their drug products. Ironically, the opposite has occurred, consumers have had to pay substantially more for over the counter and prescription drugs. In fact, for the multibillion-dollar investment that is made each year by American taxpayers, drug companies responded by, "an increase in today's drug prices three to five times that of inflation, drug prices 50 to 60 percent higher than other industrialized countries, and few real breakthrough drug over the past decade" (Kosterlitz, 1992, p.1265). For more than 40 years the drug industry has abused Section 936. Even though they have helped to stimulate the island's economy the trade off was disproportionately in their favor.

The Elimination of Section 936

In 1995, the U.S. Congress unanimously approved a 10-year phase-out of Section 936. By December 31, 2005, 936 corporations will see an end to their tax breaks in Puerto Rico (Luxner, 2000). The U.S Treasury estimates that over the 10-year period the federal government will save approximately 7 to 8 billion dollars (De Cordoba, 1993, p. B5A). Many Puerto Ricans are worried over how this will effect their economy. Many governmental officials believe that with the elimination of 936, Puerto Rico's economy will be pushed into a deep depression. "Critics say that the forfeiture of current benefits would result in massive job losses and an eventual exodus of 936 companies" (Luxner, 1993, p.2). As the news reached the drug companies it sent shock waves throughout the industry. Since the pharmaceutical sector received nearly half of those tax breaks, they will probably be the most effected by these changes. Several drug industry executives are threatening to move elsewhere. "Manufacturing in Puerto Rico is an important part of drug industry profits," says Nutley, New Jersey based Hoffman-La Roche's chairman, Irwin Lerner. "We can go to Singapore, Ireland or any other tax haven that are begging us to come" (as cited in Gold, 1993, paragraph 6).

Conclusion

These changes have already had a dramatic effect on the presence of the pharmaceutical industry in Puerto Rico. Companies like Warner Lambert, Johnson & Johnson, Ecolab Manufacturing, and Medtronic have all either announced plant closures or have cut back their expansion plans since the implementation of these changes (Marino, 1995). Similar concerns led Ciba-Geigy to put off plans on building a new

\$100 million pharmaceutical plant on the island (Luxner, 1993). Without Section 936's generous perks Puerto Rico's appeal falls short of what is offered in other tax havens around the world. Drug companies, are reconsidering any future investments to their operations on the island. By losing its competitive edge, Puerto Rico will have a hard time in attracting new businesses as well as keeping the ones that are already there. The future for Puerto Rico seems very uncertain. Only time will tell how it will effect their economy.

The pharmaceutical industry has been part of Puerto Rico since the beginning of their economic transformation. Looking back they have played a pertinent role in the modernization of the islands industrial foundation over the last half century. But without the generous handouts of Section 936, many of the pharmaceutical corporations are thinking twice of staying in Puerto Rico. Many drug companies are looking to duplicate what was done in Puerto Rico by moving to other tax havens such Malaysia, Singapore, Ireland, and even Mexico. Like in any business, revenue is the driving factor in any venture. Depending on what Puerto Rican officials decide, the pharmaceutical industry, by the year 2005, may very well be seen as an industry of the past. Like all good things, they have to come to an end sooner or later. In Puerto Rico's case that day maybe just around the corner.

Chapter IV

A REVIEW OF THE LITERATURE: THE CREATION OF PUERTO RICO'S ECONOMIC DEPENDENCE ON THE UNITED STATES

Background

The review of the literature for this study focused on three themes: Puerto Rico's economic history – A historical perspective, Section 936 and its role in Puerto Rico's economy, and the emergence of the pharmaceutical industry in Puerto Rico. The objective of this chapter is to show a connection between each of these themes and Puerto Rico's economic dependency on the United States government and certain corporations like those from the pharmaceutical sector. From the literature many authors focused on the monotonous cycle of dependency that was established, more than a century ago, by the United States presence in Puerto Rico. Historically, Puerto Rico has never been able to disassociate itself from the United States. As it stands Puerto Rico continues to be a Free Associated State (Commonwealth) of the United States. Whether it is by choice or through the act of persuasion, the island remains dependent on the American dollar. Who is to say how things would have been if the Puerto Ricans had been given the opportunity to determine their own financial affairs?

A Historical Perspective Regarding their Dependency

For most of its history Puerto Rico has been a colonial possession. Beginning with the Spanish more than four centuries ago and later with the United States, Puerto Ricans have struggled throughout their history to secure the preservation of a self-sustained style of government. The arrival of the United States, after defeating the Spanish in the Spanish American War, brought a rejoicing sense of optimism. Puerto Rican citizens were promised freedom under the democratic ideologies of the United States but, to their surprise, nothing was farther from the truth.

By 1900 many Puerto Ricans felt betrayed by the broken promises of the United States. As Hauberg (1974) points out, "When one considers the hopes of the Puerto Ricans, as well as the democratic climate of the United States, it should be easy to understand the stunned disappointment of the Puerto Rican political leaders" (p.41). Behind the scenes the U.S. government had no desire to relinquish control of the island. The U.S. government viewed Puerto Rico as having both economic and strategic value in its efforts to expand into the Caribbean and Latin America.

In the years to come, "the island became a captive market for North American interests" (Gonzalez-Cruz, 1998, p.12). Considering the poverty-stricken conditions of the island a number of Puerto Ricans found it easier to accept their affiliation with the U.S. market. Bhana (1975) insists that:

Puerto Ricans by and large welcomed the opportunity to associate with the powerful neighbor and hoped to share in its prosperity. They were fully aware that their 3500-square mile Caribbean island in the Great Antilles lacked adequate natural resources, and whatever economic benefits that might accrue as a result of

this new relationship would afford many the opportunity to escape grinding poverty. (p.2)

Blinded by their ambition to stabilize the rampant poverty of the island, several political leaders were able to persuade the Puerto Rican population to remain under the control of the United States government. Clearly, there was a sense of urgency in an effort to relieve the plight of the island's social and economic conditions. However, this came at a very high price. Without resistance, the United States was able to establish control throughout Puerto Rico's political and economic sectors. Under these circumstances Puerto Rico essentially opened its doors to the Americanization of its people.

Like any imperialistic power, control of the political and economic infrastructure is essential in order to direct the citizens of the land towards a desirable initiative. And this is exactly what happened in Puerto Rico. Once the United States government gained control of the political and economic infrastructure, it was only a matter of time until it turned its attention towards Americanization of the Puerto Rican citizen. According to Marx (as cited in Maldonado-Denis, 1972) in a famous passage from the German Ideology, "The class which has the means of material production at its disposal, has control at the same time over the means of mental production, so that thereby, the ideas of those who lack the means of mental production are subject to it" (p.131). This colonial notion was widely emulated throughout the American territories. "From the beginning of North American occupation of Puerto Rico, the goal of the colonial power was to culturally assimilate Puerto Ricans and make them 'good North Americans'" (Maldonado-Denis, 1972, p.131). American officials were instructed to Americanize the people of Puerto Rico as quickly as possible. They began by making English the official

language of the land. From 1900 to the 1940's all the Spanish-speaking children were taught to read and write in English (Monge, 1997). Through these same measures many of Puerto Rico's nationalistic symbols, like their flag, their national anthem, their distinct holidays, were replaced by those of the American (Anglo-Saxon) culture. According to Monge (1997), "all schoolchildren started their day by saluting the American flag, declaiming the pledge of Allegiance, and singing the national anthem and other patriotic songs" (p.55). U.S officials were determined in their, "hopeless drive to remodel Puerto Ricans so that they become similar in language, habits and thoughts to continental Americans" (Carrion, 1983, p.214). But like in the United States, as it was with the African-American population, political officials justified the assimilation of all Puerto Ricans through their intrinsic feelings of racism and superiority.

Many Americans saw Puerto Ricans as being second-class citizens who were unfit to govern themselves. In their eyes, Puerto Rico needed the United States in order to transform the island into a viable democracy, which emulated the philosophies and ideologies of the mainland. At the time, Representative James Slayden of Texas (as cited in Fernandez, 1992), found Puerto Ricans as being unable to grasp the institutions of a democratic order. He attributed this to their mixed blood, stating that, "They and we are of two different races ... We are mainly Anglo-Saxon, while they are a composite structure, with liberal contributions to their blood from Europe, Asia, and Africa. They are more like mongrels in an aimless pursuit of happiness" (p.57). These racist connotations in many ways displayed the flagrant attempts of U.S. officials to not only demoralize the people of Puerto Rico, but to cast them as inferior when compared to their American counterparts. These feelings of Puerto Rican inferiority served as a mindset for

many Americans, including those representing equality and justice in their commitment to uphold the law.

As judge of the U.S. District Court in Puerto Rico, Peter J. Hamilton developed a reputation as being a racist in a land where one forth of the population had links to African dissent. His stereotyped racism was evident on a number of occasions. There was one instance in particular where he stated that, " the mixture of black and white in Puerto Rico threatens to create a race of mongrels of no use to anyone" (as cited in Carrion, 1983, p.188). Such comments infuriated the political elite in Puerto Rico, but without power many of these individuals turned a deaf ear to what was being said. The situation in Puerto Rico only got worse in the years to come. But by the early 1900's the United States had fulfilled in dictating a sense of dependency, especially among the poor and impoverished citizens of Puerto Rico.

Economically, one of the first initiatives by the U.S was in attracting private industry to the island. During those years Puerto Rico was predominantly based on an agrarian economy. Their primary source of revenue came from their widespread sugar plantations. With the arrival of private industry, many mainland corporations took this opportunity to acquire a large portion of Puerto Rico's farmland. As a result, many of Puerto Rico's small plantation owners were unable to compete in a market that was dominated by mainland corporations. One by one, Puerto Rico's farming community was forced to either foreclose or declare bankruptcy. Under the challenges of capitalism, the Puerto Rican farmer seemed, "powerless before the mighty American sugar companies that were gobbling up the land" (Monge, 1997, p.66). Maldonado-Denis (1972) stresses that, "that the cultivation of sugar cane by the great sugar companies

contributed to a gradual but persistent process of concentration of landholdings during the nineteenth century" (p.75). Under the United States economic policy, Puerto Rico's sugar industry flourished. Sadly enough the revenue generated by the sugar industry, was for the most part, transferred back to the mainland.

North American companies had virtually monopolized the sugar industry on the island. As the leading source of revenue on the island, four American sugar companies received a majority of the profits. The Big Four, as they came to be called, controlled over sixty percent of the sugar industry on the island (Hauberg, 1974, p.48). Hauberg in his book Puerto Rico and the Puerto Ricans, shares a detailed illustration on the exploitation of the sugar industry in Puerto Rico. He states:

A superficial glance at the sugar industry reveals pyramiding production measured in tons and dollars: a veritable cascade of riches and prosperity. But because the industry was owned and controlled by outsiders, the millions made in sugar production give a false impression. The profits were enjoyed by many who never saw Puerto Rico. (p.45)

However, the dependency factor was not due to the loss of revenue. It resulted from the high levels of unemployment that ravaged the island. Since the American companies dominated the Puerto Rican economy, they possessed the power to employ a large portion of the population.

The citizens really had no other choice but to seek employment in companies that held them prisoners in their own land. Johnson (1980) confirms, that by the 1930's Puerto Rican workers became increasingly more dependent on the powerful North American companies, especially those that were connected to the sugar industry (p.19). However,

there were certain factors that contributed to Puerto Rico's economic dependency on the United States. Under the authoritative control of the U.S. government many viewed the enactment of the Foraker Act of 1900 and the Jones Act of 1917 as being directly connected to establishing a perpetual cycle of dependency.

The Foraker Act promoted a change in government. Its main goal was to replace the military regime with a colonial order that was predominately run by civilians (Gonzalez-Cruz, 1998). The troubling part of the law was the provision which forbade any corporation to own or control more than 500-acres of land (Hauberg, 1974). It was boldly stated and known throughout the island, but for over 40 years the U.S. Congress stood by as it watched some of Puerto Rico's richest plantations being overrun by North American companies. In most cases the 500-acre law was blatantly ignored. Under these circumstances it enabled a handful of American sugar companies to amass larger plots of land; some as big as 30, 000 acres or nearly 60 times the legal limit. It gave these companies the opportunity to nurture a sense of dependency among the working class citizens of Puerto Rico.

Under the Jones Act, Puerto Rico remained a colony or an unincorporated territory of the United States. Puerto Ricans became American citizens but were not permitted to vote for the presidential office while granting them a U.S. passport and extending the obligation of entering the U.S. armed forces. Along with these new institutional values the United States made it mandatory for Puerto Rico to adhere to their coastwise shipping laws. The measure made it illegal to use less expensive ships when carrying cargo between Puerto Rico and the United States (Monge, 1997). And since the Puerto Rican government did not own their own fleet of ships they were forced to depend

on U.S. shipping companies to export any freight that was to be delivered outside of the island. Fernandez (1992) emphasizes that, "Once the United States included Puerto Rico under its shipping laws, Puerto Rico became a prisoner, not only of substantially increased costs for its literal lifeline but for U.S. products" (p.10). For many, both the Foraker Act and the Jones Act became symbols reflecting the island's dependency on the United States.

Even after obtaining complete control over their local government, the real power stayed with the economic interests of the United States. This was especially true with the disappearance of Puerto Rico's sugar-based economy in its effort to modernize their industrial capacity. As it came to be known, Operation Bootstrap's overall goal was to instill manufacturing as a means to kick-start their economy. But without the necessary capital to begin their industrializational efforts, Puerto Rican leaders, once again, looked upon the United States to assist them in financing their program.

By instituting a number of tax breaks to mainland corporations, Puerto Rico attracted thousands of American industries to move their operations to the island. These tax incentives became the main attraction for industries to move operations to Puerto Rico (Fernandez, 1992). Critics of Operation Bootstrap contend that:

While profits resulting from tax-free investment of American firms brought some relief to the depressed island people, the increased economic largesse was not equitably distributed, leaving the majority of Puerto Rico's millions in poverty. Instead of fostering healthy economic growth the United States has been condemned by some for perpetuating economic dependency and thus deepening the cycle of poverty. (Hauberg, 1974, p.95)

In many ways Puerto Rico is dependent upon the United States. But who is to blame for this, when Puerto Rican leaders, time and again, find themselves reaching out to be saved by the United States when ever they fall into times of desperation. Puerto Ricans have to find it within themselves to dispel that perception of inferiority by taking matters into their own hands without the influences of a third party.

Section 936 and its Role in Puerto Rico's Economy

In the last 100 years nothing has impacted Puerto Rico's economy more than the implementation of Section 936 of the United States Internal Revenue Code. On the books since 1921 but not effectively used in Puerto Rico until 1948, Section 936, "allows U.S. based companies to take a 100% tax credit on any profits earned from doing business in U.S. possessions" (Grusky, 1996, p.49). In effect, U.S. corporations who had operations on the island, were exempt from paying federal, local, and property taxes; saving them millions of dollars when compared to their operations on the mainland. Considered by many as the cornerstone to Puerto Rico's economic development efforts, the island is now more closely integrated with the United States economy than ever before in its history.

In looking at the numbers, approximately "98 percent of the tax credits attributable to Section 936 are used by Puerto Rico-based U.S. corporations" (Grusky, 1996, p.50). Year in and year out U.S. manufacturing corporations that operate in Puerto Rico have visibly commanded the island's economy. According to Grusky (1996), "Section 936 corporations account for 81.1 percent of all manufacturing production and 64.8 percent of manufacturing employment in Puerto Rico" (p.50). Such an established

presence pressures Puerto Ricans fulfill the interests of mainland corporations. With such a high percentage of the labor force being employed by the manufacturing sector, U.S. companies have significant control over the working class population. Many Puerto Ricans, according to Johnson (1980), "achieved a significantly higher standard of living" (p.83). This sense of economic prosperity created insecurity among the average worker. They feared that without the United States, Puerto Rico would, in time, relapse back to the poverty-stricken conditions that has been reminiscent throughout its history.

For over 50 years Section 936 has helped Puerto Rico build its manufacturing sector into a significant force in the economy. But at what cost? In his research De Cordoba (1983) found that, "Funds from Section 936 companies are a key part in the island's financial system. They account for about one-third or \$6 billion of all funds on deposit in Puerto Rican financial institutions" (B5A). Under Section 936, U.S. corporations were allowed to reinvest a portion of their profits back into Puerto Rico's banking sector. These investments were yielded at a high interest rate with the understanding that they were to be liquidated within a 5 to 10 year period. Essentially, the accumulated investments from Section 936 companies were kept in circulation within the island's financial system, creating a pool of low cost capital used by the central government (Westlund, 1995). At the local level the Puerto Rican government depends on this capital, using it for the building of new schools, highway projects, and the expansion of tourism. Wagenheim (1970) argues that "Puerto Rico's wooing of investment capital from abroad is unhealthy and keeps the island in a perpetual state of dependence" (p.133). By relying on U.S. investment, Puerto Ricans have put themselves in a very risky situation. If for some reason U.S. companies decide to eliminate

investment to the island, the Puerto Rican economy will inevitably be pushed into a deepened recession.

Political leaders need to establish Puerto Rico as part of a global market. Part of Puerto Rico's problems is their ineffectiveness in diversifying their economy. As it stands right now, Puerto Rico is not a global player. Luxner (2000) agrees, claiming that, "Ninety-eight percent of the island's exports today are to the United States. What are we doing in Europe? Zilch. Latin America? Nothing" (Luxner, 2000, paragraph 15). Puerto Rico's main focus is on the U.S. domestic economy, while overlooking the whole rest of the world.

This has also hindered the island's local economy. Since Section 936 has played such a significant role in developing and stabilizing Puerto Rico's economy, many of the local industries have been neglected. Grusky (1996) indicates that within the last 20 to 30 years, "the dominant role of U.S. corporations in Puerto Rico conditions the state to favor U.S. corporate interests over those of local industry" (p.55). The needs of local industry were often disregarded while U.S. companies manipulate political leaders in order to maintain a profitable environment without the inhibitions of competition. The island in itself has become a showcase of American industry. Throughout the island one is surrounded by mainland businesses. Companies like: McDonalds, JcPenny, Sears, and Walmart, have inundated the market. This has made life very difficult for local business owners. Many are unable to compete with their lower prices and with the fact that they are exempt from paying any taxes.

The Pharmaceutical Industry in Puerto Rico

Like most corporations in Puerto Rico, the pharmaceutical industry migrated to the island because of the lucrative tax breaks that were made available under Section 936. As of 1999, Puerto Rico has one of the, "highest concentrations of pharmaceutical manufacturing plants in the world" (Celestino, 1999, paragraph 19). Not quite the size of Connecticut, this tropical paradise is host to some 100 installations, many of which are considered some of today's most technologically innovative manufacturing plants in the drug industry. Some of the biggest pharmaceutical names can be found here. They include: Johnson & Johnson, Bristol-Myers Squibb, Merck, Pfizer, Smithkline Beecham, and many others ("Puerto Rico,"1994). Many of these companies are U.S. based firms. Since Section 936 is predominantly a U.S. taxing policy, many foreign firms are able to generate higher profits in other tax havens like Malaysia, Singapore, and Ireland.

As was stated previously, manufacturing is one of Puerto Rico's largest economic sectors. This can be attributed to the growth of the pharmaceutical industry on the island. According to Casey (2000) the, "Incentives carried under Section 936 of the Internal revenue Code, attracted large investment flows, particularly from pharmaceutical companies (paragraph 8). From his study, Casey calculates that the pharmaceutical industry, as of last year, "accounts for over 42 percent of the island's manufacturing output" (Casey, 2000, paragraph 8). Puerto Rico, as a whole, depends on the revenue that is generated by the drug industry. Both Del Rio and Schantz-Feld agree, stating that, "the pharmaceutical industry is the backbone of Puerto Rico's economy" (Del Rio, 1998, p.10, Schantz-Feld, 2000, paragraph 15). With over \$13.2 billion in exports and more than 18 percent of all pharmaceutical products in the U.S. arriving from the island, Puerto Rican

leaders have done whatever it takes in order to keep the drug industry from leaving (Schantz-Feld, 2000, paragraph 15).

Like other manufacturing companies, drug firms employ several thousand Puerto Rican workers. According to Puerto Rico's Economic Development Administration (as cited in Del Rio, 1998), "the pharmaceutical industry employs 25,000 people directly and another 90,000 indirectly from their operations in Puerto Rico" (p.10). The issue that should be stressed is not the number of workers that pharmaceutical companies employ but rather the qualities of the individuals that they hire.

Due to the technological background that is required, drug firms were forced to employ some of Puerto Rico's most educated individuals. These jobs soon became some of the highest paying positions throughout the island. Del Rio (1998) agrees, stating that, "the pharmaceutical industry is responsible for a sizable portion of the labor pool which are at the highest pay levels on the island. These employees have become drivers of substantial economic activity" (p.10). Their larger salaries have enabled the average pharmaceutical employee to have the purchasing power of two to three individuals. Puerto Rico's consumer market receives a significant boost from the purchases that are attributed to employees from the manufacturing sector. Statistically, many of the large ticket items, such as televisions, cars, and appliances, are purchased by citizens who work for U.S. based corporations.

The influence of the pharmaceutical industry is further seen within Puerto Rico's banking sector. Several Section 936 drug companies reinvest larger portions of their profits into Puerto Rico's banking sector and other financial institutions. Since the early 1980's these investments stabilized Puerto Rico's huge debt problem. It has currently

helped to finance the construction of new roads and the expansion of tourism. Out of the top 20 corporations that have reinvested profits into certain financial institutions on the island, 9 are drug firms (Grusky, 1996). The pharmaceutical industry, in particular, can be directly attributed to the success of Puerto Rico's financial sector. They have deposited billions of dollars into Puerto Rican banks, which has served to stabilize their economy from the exorbitant amount of debt that they incurred through the years.

Chapter V

A SURVEY SEEKING PUBLIC OPINION ON THE ISSUES OF SECTION 936 AND THE PHARMACEUTICAL INDUSTRY

Description of the Survey

The survey (see Appendix A) included ten statements that were measured on the basis of the Likert scale: a survey system utilizing a five-point scale. The rating scale ranged from five to one: five meaning that the individual strongly agrees with the statement, four implies the individual agrees with the statement, three states that the individual takes a neutral stand on the statement, two signifies that that the individual disagrees with the statement, and one indicates that the individual profoundly disagrees with the statements. In viewing the 10 statements that were designed for this survey, each had a general stance pertaining to Puerto Rico's economic or social relationship with the United States. The authors intention was to elicit a positive or a negative reaction on the role Section 936 of the United States Internal Revenue Code and the pharmaceutical industry had on Puerto Rico's economy.

Sample

The goal was to survey and interview at least 50 individuals in order to receive a quantitative response that would be relevant to this study. Each of these individuals were either intellectually or politically connected to economic issues in Puerto Rico and had to have lived on the island for at least 5 years from 1950 to the year 2000. The reasoning behind these qualifications was in order to attain a qualified pool of individuals who: (a) had prior knowledge of the tax statute known as Section 936 and how it applied to the pharmaceutical industry in Puerto Rico and (b) experienced the effects that both of these

elements had on the island's economy. Through my experience the average Puerto Rican, whether they live on the island or in the United States, tends to know very little when it comes down to these issues. Under these circumstances the sample for this survey would best be met by concentrating on professional individuals such as economists, researchers, professors, journalists, politicians, authors, and financiers.

Purpose of the Survey

The intent in developing this survey was to assess how certain Puerto Rican individuals perceive Section 936 and at evaluating their perception of how the pharmaceutical industry has effected Puerto Rico's economy. Was it seen as a benefit or as a detriment to Puerto Rico's future economic outlook? In reviewing the literature one is able to see arguments favoring both sides of the issue. As the author to this study, the survey was intended to either coincide or refute the viewpoints that were uncovered from researching the literature. The experience of developing and administering a survey gave the author the freedom to expand on the research of other individuals as well as adding unique insight into the themes of this study.

Analyzing the Results of the Survey

In one month the author gathered 50 individuals who were able to respond to the survey. The individuals responded in a variety of ways: via email, over the phone, or by way of a personal interview. Each of the respondents answered all 10 of the statements that were included in the survey. After collecting each of the surveys' the author tallied the responses for each of the statements on the bases of the 5-point scale. The author

measured the results using a rubric and by calculating the percentage of responses in relation to how each individual answered each of the statements through the use of the 5-point scale (see Appendix B).

Statement 1: The Puerto Rican economy is strongly dependent on U.S. corporations and the U.S. Government.

For this statement 33 respondents or 66 percent strongly agreed (Answer 5) that, "Puerto Rico is strongly dependent on U.S. corporations and the U.S. Government." Fourteen respondents (28 percent) who agreed (Answer 4) with statement 1 and 3 respondents (6 percent) took a neutral position (Answer 3). There were zero respondents who disagreed (Answer 2) with this statement and there were 0 respondents who strongly disagreed (Answer 1).

Since the majority (94 percent) of the subjects responded with either profound agreement (Answer 5) or agreement (Answer 4) we can conclude that there is a strong belief among Puerto Ricans that, "Puerto Rico's economy is strongly dependent on U.S. corporations and the U.S. Government." Looking at how it measured on the rubric, statement one evoked profound agreement among the respondents. It measured a 4.6 on the Likert scale.

Statement 2: Economic programs such as Operation Bootstrap and Section 936 of the United States Internal Revenue Tax Code have benefited the Puerto Rican economy.

In evaluating this statement 9 respondents (18 percent) replied that they strongly agree (Answer 5) that, "Economic programs such as Operation Bootstrap and Section 936

of the United States Internal Revenue Tax Code have benefited the Puerto Rican economy." Thirteen respondents (26 percent) agreed (Answer 4) and 14 respondents (28 percent) were neutral (Answer 3). A total of 8 respondents (16 percent) disagreed (Answer 2) with this statement, and 6 subjects strongly disagreed (Answer 1).

In evaluating this statement the majority of the respondents (44 percent) exhibited either profound agreement (Answer 5) or agreement (Answer 4) when asked if, "Economic programs such as Operation Bootstrap and Section 936 of the United States Internal Revenue Tax Code have benefited the Puerto Rican economy?" Overall, there was profound agreement when this statement was measured on the rubric. It measured a 3.22 on the Likert scale

Statement 3: The growth of Puerto Rico's economy is directly connected to the migration of the manufacturing corporations, including those from the pharmaceutical sector.

The breakdown of responses for this statement went as follows: Eleven respondents (28 percent) strongly agreed (Answer 5) that, "The growth of Puerto Rico's economy is directly connected to the migration of the manufacturing corporations, including those from the pharmaceutical sector." Twenty-one respondents (42 percent) agreed (Answer 4) with the statement and 12 respondents (24 percent) selected a neutral response (Answer 3). A total of five respondents (10 percent) disagreed (Answer 2) with the statement and 1 respondent (2 percent) strongly disagreed (Answer 1).

The majority of the respondents (64 percent) either profoundly agreed (Answer 5) or agreed (Answer 4) that, "The growth of Puerto Rico's economy is directly connected to the migration of the manufacturing corporations, including those from the pharmaceutical

sector.” Under the rubric this statement encountered disagreement from the respondents. It measured a 2.72 on the Likert scale.

Statement 4: Becoming the 51st state of the United States of America will be advantageous for citizens in Puerto Rico.

In assessing statement four, one finds that 10 or 20 percent of the respondents replied that they strongly agreed (Answer 5) that, “Becoming the 51st state of the United States of America will be advantageous for citizens in Puerto Rico.” Six respondents (12 percent) agreed (Answer 4) with the statement and 8 respondents (16 percent) selected a neutral response (Answer 3). Ten respondents (20 percent) disagreed (Answer 2) with the statement and 16 respondents (32 percent) strongly disagreed (Answer 1).

Overall, 52 percent of the respondents either showed profound disagreement (Answer 5) or disagreed (Answer 4) when asked if, “Becoming the 51st state of the United States of America will be advantageous for citizens in Puerto Rico?” It can be insinuated, through the beliefs and opinions of these respondents, that the consensus of Puerto Ricans would, for the most part, disagree on the issue of becoming the 51st state of this country. When measured by the rubric, statement four exhibited disagreement among the respondents. It measured 2.68 on the Likert scale.

Statement 5: The pharmaceutical industry and some of the other manufacturing companies have manipulated these tax incentives for their own benefit.

The results for statement five were as follows. Thirty-three respondents (66 percent) highly agreed (Answer 5) when asked if, “The pharmaceutical industry and some of the

other manufacturing companies have manipulated these tax incentives for their own benefit?" Eleven respondents (22 percent) exhibited agreement (Answer 4) and 4 respondents (8 percent) were neutral (Answer 3). Two respondents (4 percent) disagreed (Answer 2) with the statement and zero respondents strongly disagreed (Answer 1).

Overall, the majority of the respondents (88 percent) exhibited profound agreement (Answer 5) or agreement (Answer 4) when asked if, "The pharmaceutical industry and some of the other manufacturing companies have manipulated these tax incentives for their own benefit?" It can therefore be insinuated, from the opinions and beliefs of these 50 respondents that, "Puerto Ricans agree that the pharmaceutical industry and some of the other manufacturing companies have manipulated these tax incentives for their own benefit." This statement in particular showed profound agreement in relation to its measurement on the rubric. It measured 4.50 on the Likert scale.

Statement 6: The relocation of the pharmaceutical industry to other tax havens around the world will push the Puerto Rican economy to decline.

Upon examining statement six, the results were as follows. Twelve respondents (24 percent) strongly agreed (Answer 5) that, "The relocation of the pharmaceutical industry to other tax havens around the world will push the Puerto Rican economy to decline." Twenty-two (44 percent) agreed (Answer 4) with the statement and 13 respondents (26 percent) identified a neutral position (Answer 3). Three respondents (6 percent) disagreed (Answer 2) with the statement. None of the respondents strongly disagreed (Answer 1).

Overall, the majority of the respondents (68 percent) were either in profound agreement (Answer 5) or in agreement (Answer 4) when asked if, "The relocation of the pharmaceutical industry to other tax havens around the world will push the Puerto Rican economy to decline?" The opinions and beliefs of these 50 respondents suggests, that Puerto Ricans agree that, "The relocation of the pharmaceutical industry to other tax havens around the world will push the Puerto Rican economy to decline." When measured through the rubric, statement six maintained that the respondents were in agreement in answering this question. It measured 2.86 on the Likert scale.

Statement 7: The removal of Section 936 of the United States Internal Revenue Code will be a positive move for citizens living in Puerto Rico.

In reviewing the results for statement seven, 2 respondents (4 percent) strongly agreed (Answer 5) that, "The removal of Section 936 of the United States Internal Revenue Code will be a positive move for citizens living in Puerto Rico." Ten respondents (20 percent) agreed (Answer 4) with the statement and 20 respondents (40 percent) had a neutral position (Answer 3). Eleven respondents (22 percent) disagreed (Answer 2) with the statement and 7 respondents (14 percent) strongly disagreed (Answer 1).

Overall, the majority of the respondents (40 percent) took a neutral stance (Answer 3) when responding to this statement. Under these circumstances it can be inferred, from the opinions and beliefs of these 50 individuals that Puerto Ricans will, for the most part, be undecided when asked if, "The removal of Section 936 of the United States Internal Revenue Code will be a positive move for citizens living in Puerto Rico?" In evaluating

statement seven in relation to its measurement on the rubric, it reflects disagreement among the respondents. It measured 2.78 on the Likert scale.

Statement 8: The presence of U.S. corporations and the U.S. Government has hindered the Puerto Rican people towards self-determination.

Responses for statement eight were as follows. Seventeen respondents (34 percent) strongly agreed (Answer 5) that, "The presence of U.S. corporations and the U.S. Government has hindered the Puerto Rican people towards self-determination." Fourteen respondents (28 percent) agreed (Answer 4) with the statement, where as 8 respondents (16 percent) chose a neutral position (Answer 3). Seven respondents (14 percent) disagreed (Answer 2) with the statement and 4 respondents (8 percent) strongly disagreed (Answer 1).

Overall the majority of the respondent (62 percent) either strongly agreed (Answer 5) or agreed (Answer 4) that, "The presence of U.S. corporations and the U.S. Government has hindered the Puerto Rican people towards self-determination." In light of these figures, one can conclude, from the opinions and beliefs of the 50 respondents that Puerto Ricans, for the most part, agree that, "The presence of U.S. corporations and the U.S. Government has hindered the Puerto Rican people towards self-determination." Going by the rubric, it is evident that this statement instigated profound agreement among the respondents. It measured a 3.66 on the Likert scale.

Statement 9: Puerto Rican citizens living on the island and in the United States are resentful for what the U.S. presence has done to the island.

In assessing statement nine, 5 respondents (10 percent) strongly agreed (Answer 5) that, "Puerto Rican citizens living on the island and in the United States are resentful for what the U.S. presence has done to the island." Eight respondents (16 percent) agreed (Answer 4) with this statement and 15 respondents (30 percent) chose a neutral position (Answer 3). Sixteen respondents (32 percent) disagreed (Answer 2) with statement nine and 6 respondents (12 percent) strongly disagreed (Answer 1).

Overall, the majority of the respondents (44 percent) were either in strong disagreement (Answer 1) or simply disagreed (Answer 2) that, "Puerto Rican citizens living on the island and in the United States are resentful for what the U.S. presence has done to the island." Upon viewing these figures one can conclude, from the opinions and beliefs of the 50 respondents that Puerto Ricans, for the most part, disagree that, "Puerto Rican citizens living on the island and in the United States are resentful for what the U.S. presence has done to the island." There was agreement when the responses for this statement were measured on the rubric. It measured 2.80 on the Likert scale.

Statement 10: It would have been hard for Puerto Rico to modernize their industrial base without the help of the United States.

The results for statement ten were as follows. Thirteen respondents (26 percent) strongly agreed (Answer 5) that, "It would have been hard for Puerto Rico to modernize their industrial base without the help of the United States." Sixteen respondents (32 percent) agreed (Answer 4) with statement 10 and 11 respondents (22 percent) chose a neutral position (Answer 3). Seven respondents (14 percent) disagreed (Answer 2) with statement 10 and 3 respondents (6 percent) strongly disagreed (Answer 1).

Overall the majority of the respondents (58 percent) either strongly agreed (Answer 5) or agreed (Answer 4) that, "It would have been hard for Puerto Rico to modernize their industrial base without the help of the United States." It can therefore be implied, from the opinions and beliefs of the 50 respondents that Puerto Ricans are, for the most part, in agreement that, "It would have been hard for Puerto Rico to modernize their industrial base without the help of the United States." The figures showed that the respondents were in profound agreement when it came to this statement. It measured 3.58 on the Likert scale.

Conclusion

This survey was well received by a number of individuals. Many of the Puerto Ricans that took part in the survey were glad that someone was taking the time to write about many of these issues. The one thing Puerto Ricans pride themselves in is their heritage. By participating in the study many of these individuals made themselves clear on where they stood in relation to the themes that were under study.

There were two statements in particular that brought profound agreement from the respondents. One of these statements was the first statement of the survey. Over 94 percent of the respondents either strongly agreed or agreed that, "The Puerto Rican economy is strongly dependent on U.S. corporations and the U.S. Government." The second, was statement 5. Eighty-eight percent of the respondents either strongly agreed or agreed that, "The pharmaceutical industry and some of the other manufacturing companies have manipulated these tax incentives for their own benefit." On both of these statements a number of the respondents spoke of their resentment of Puerto Rico's never

ending dependency towards the United State economy. For many, the pharmaceutical industry exemplifies how, for some many years, Puerto Rico has had to except the indiscretion and the impropriety that has been so common among the drug firms on the island.

Chapter 6

SUMMARY

In the previous chapter the author concentrated on Puerto Rico's dependency on the United States government. As was highlighted, both Section 936 of the U.S. Internal Revenue Code and the influence of the pharmaceutical industry have drawn Puerto Ricans to rely on these agents as a means for survival. Looking back, the island has become so accustomed to being directed by U.S. interests that they seem, at times, incapable of overseeing many of their own local affairs. Since Section 936 and the pharmaceutical industry have contributed to Puerto Rico's enormous economic success for so many years, there is a certain reluctance in changing or replacing what many have called the backbone of their economy.

With the elimination of Section 936 by the year 2005, many Puerto Ricans are worried that the island will inevitably be plunged into a depression. Because of the overwhelming presence and the enormous investments of U.S. based corporations, they fear that a large portion of these companies will relocate to other tax havens around the world. In this chapter the author will examine Puerto Rico's future economic outlook. At a crossroads, political leaders on the island are faced with the option of maintaining their economic relationship with the United States or to begin relying on some of their own resources. Puerto Rico needs to, once and for all, free itself from their continued dependency on the United States. With so much at stake it will be interesting to see how the island will confront their new challenges.

Conclusions and Recommendations

Puerto Rico's Future Economic Outlook

As of January 2001, Puerto Rico has a new governor. Her name is Sila Maria Calderon and she is the first woman to be elected governor in Puerto Rico's history. As a member of the Popular Democratic Party (PDP), Ms. Calderon represents change within Puerto Rico's economic sector. Over the last 2 years the island has experienced a shift from the manufacturing sector to the high tech industry. Companies involved in e-commerce and in information technology are rapidly becoming one of Puerto Rico's most successful businesses. In time Ms. Calderon is determined to transform Puerto Rico into the next Silicon Valley of the world.

With the stagnant performance of the manufacturing sector, a transformation into the high tech industry could result in the rejuvenation of Puerto Rico's economy. Several economists are optimistic and believe that if Puerto Rico is to survive in the future the high tech industry needs to play a vital role in their economy. Recently, the island has attracted a variety of big name technological companies such as Hewlett Packard, Intel, and Microsoft. Each of these companies have invested millions of dollars in opening manufacturing plants for the production of technological components such as, microchips, microprocessors, software, and a variety of other computer accessories. The integration of the technological sector will open many doors if Puerto Rico is to ever to obtain complete sustenance in their own economic affairs.

Unlike the manufacturing sector, the high tech industry infiltrated Puerto Rico not because of the tax incentives of Section 936, but for the reputation and the experience of

their work force. It is important to remember that by 1995 Section 936 was eliminated except for corporations who had established operations prior to that year. Consequently, all Section 936 companies were granted until the year 2005 in order to phase out the tax breaks that they received from the United States Treasury. For the most part, the majority of the technological companies did not begin to arrive until the late 1990's. A large percentage of these companies were undaunted by the removal of Section 936. Their primary interest was in Puerto Rico's highly educated and technologically experienced labor force. Puerto Rico is unique in this sense because for over 50 years they have had the opportunity to acquire a very skilled working class due to the evolution and the profound progression in manufacturing. There are very few countries where companies are able to find not only a large labor pool but one that is well versed in today's technology. This may be one of Puerto Rico's greatest assets in their efforts to move to a more self-sustained style of government.

The average employee in Puerto Rico earns much less when compared to other countries who concentrate in the production of technological equipment. Even the islands skilled professionals earn respectively less than the average salary in their field. This enables a company like a Microsoft or an Intel to satisfy their need for a skilled labor force while minimizing their payroll. Puerto Rico can continue to be an attractive location for businesses from around the world. Currently, however, Puerto Rico will need to globalize their economy by minimizing their exclusive relationship with the United States.

Its economic ties with the United States have, in many ways, constrained Puerto Rico from doing business with other foreign nations. Due to its status as an

unincorporated territory, and currently as a commonwealth of the United States, Puerto Rico has continued to depend on the U.S. for its commercial revenue. In researching the island's economic record one will find that the majority of all of its consumer and durable goods is imported from the U.S. and, by the same token, Puerto Rico exports virtually all it produces back to the U.S. market. The most logical move for Puerto Rico would be to expand their horizons by initiating commercial relations with other countries from around the world. And it should not stop there. With over 80 percent of the manufacturing sector being run by U.S. based corporations, governmental leaders should embrace this opportunity in order to captivate the interests of other financial markets.

Actually, during the last few years Puerto Rico has responded proactively regarding how to incorporate a more balanced relationship with the United States. Under the supervision of the Puerto Rican Industrial Development Company (PRIDCO) the island has established some of their own tax incentives in order to attract foreign capital. This may be a step in the right direction for Puerto Rico. In its time Section 936 served its purpose. It created jobs and it industrialized the islands manufacturing capabilities. Now that these goals have been met, it is in Puerto Rico's best interest to move forward with what they have started instead of trying to relive their past.

Puerto Ricans should see this as an opportunity. Throughout their history they have fought for their right to self-determination. That is why it is hard to understand the rational behind Ms. Calderon and several other party officials in their efforts to reinstate Section 936. The intention was never to have it remain as a permanent fixture in Puerto Rico's economy. But, for some reason, political leaders have grown so accustomed to having these incentives that they seem to be going through the psychological effects of

detachment. Many have been so dependent on these handouts that it has been hard to adapt to life without it. The situation in Puerto Rico is a paradox. It is ironic how for over a century Puerto Ricans have fought desperately to free themselves from the servitude that was imposed by the United States government. However, time and again we find the island crawling back into the hands that denied it the freedom and liberty that it was promised a century ago. Can Puerto Rico survive without the assistance of the United States government?

Without a doubt Puerto Rico can support itself without the intervention of the U.S.. Puerto Ricans just have to start believing in themselves by having faith in the abilities that they have and in the resources that are around them. No one said that it was going to be easy, but if they do not try the only ones they would be hurting would be themselves and the future generations that are destined to follow. As Dietrich Bonhoeffer (as cited in Webster's Dictionary of Quotations, 1992) asserts in his book Letters and Papers from Prison, "It is the advantage and the nature of the strong that they can bring crucial issues to the fore and take a clear position regarding them. The weak always have to choose between alternatives that are not their own" (p.95). For once Puerto Rico needs to be strong. If they would just open their eyes they will see a nation of proud individuals who are ready to stand-up for what is theirs. It is time for the island to rise onto their own two feet without the comfort or support of the United States. As the author, I am not insinuating that Puerto Rico should segregate itself totally from their affiliations with the U.S. What is being suggested is that Puerto Rico should learn to balance their economic agenda in way that prevents nations from acquiring considerable control over their government.

Lately, the island's economy has been performing fairly well. Contrary to everyone's fears, many of the manufacturing companies have stayed, even with the elimination of Section 936. For example, the pharmaceutical industry consolidated its work force and closed a number of its plants, but remained on the island. Many of these companies have invested too much time and money for them to just pack up and leave. Actually, some of the major drug firms, like Johnson & Johnson, are expanding their operations on the island. So as you can see there appears to be hope after Section 936. Puerto Rico's strong economic foundation has moved companies to think twice when opting to relocate to a new location.

Considering what Puerto Rico has gone through, it is hard to believe the achievements it has been able to accomplish. As it stands today, Puerto Rico is one of the leading manufacturing locations in the world. In its 50 years of existence, there are few who deny the significant benefits of Section 936 and its relationship with the United States. Would they have been able to industrialize the island without their assistance? Probably not, however there are those individuals who believe that with time and the help of other dignified nations Puerto Rico would have been able to arrive at the same outcome. Even with the future's uncertainty Puerto Rico should take this opportunity to prove itself among the nations of the world.

Bibliography

Bhana, S. (1975). The United States and the Development of the Puerto Rican Status Question 1936-1968. Wichita, Kansas: The University Press of Kansas.

Breskin, I. (1995, April). Early prognosis: Reduced Puerto Rico tax break increases pain. Chemical Week [On-line]. Available: <http://proquest.umi.com/pqdweb?TS=972156543&RQT=309&CC=1&Dtp=1&Dip=00000008772925&Mtd=1&Fmt>.

Carrion, A.R. (1983). Puerto Rico: A Political and Cultural History. New York: W.W. Norton and Company, Inc.

Casey, M. (2000, December). Calderon's success in Puerto Rico rides on the tax credits. The Wall Street Journal [On-line]. Available: <http://www.puertoricoherald.org/issues/2001vol5n01CaldSuccessTaxCred-en.shtml> [2001, April 22].

Celestino, M. L. (1999, March). Pharmaceuticals, medical, and biotechnology. World Trade [On-line]. Available: <http://proquest.umi.com/pqdweb?TS=985912...&Dtp=1&Did=000000040688507&Mtd=1&Fmt@4> [2001, March 29].

Chrai, S. (1995). Puerto Rico: Pharmaceuticals past and future. Pharmaceutical Technology, 19, 108-110.

Craig, L. (1997, October). Puerto Rico: Yes, there's life after 936. Institutional Investors [On-line]. Available: <http://proquest.umi.com/pqdweb?TS=93&Sid=5&Idx=2&Deli=1&RQT=309&Dip=1>.

De Cordoba, J. (1993, February 26). Tax proposal raises concern in Puerto Rico: Clinton's plan to curtail firms' exemption poses dilemma for politicians. Wall Street Journal, pp. B5A.

Del Rio, C. H. (1998, June). Future Pharma: Puerto Rico's statehood initiative. Pharmaceutical Technology, 22, 10-11.

Drug cost debate puts the spotlight on Puerto Rico. (1992, August 3). Chemical Marketing Reporter [On-line]. Available: <http://proquest.umi.com/pqdweb?TS=971660158&RQT=309&CC=1&Dtp=1&Did> [2000, Oct. 15].

Drugs-manufacturing jobs in Puerto Rico. (1995, March). Monthly Labor Review [On-line]. Available: <http://proquest.umi.com/pqdweb?TS=971660158&RQT=309&CC=1&Dtp=1&Did>.

Freudenheim, M. (1993, August 17). Drug makers are already feeling a cut in Puerto Rican tax breaks. New York Times, p. D6.

Fernandez, R. (1992). The Disenchanted Island: Puerto Rico and the United States in the Twentieth Century. New York: Praeger Publishers.

Gladue, J. (1998, October). A new economic focus. Institutional Investor, 32, p. D2, D4.

Glastris, P. (1991, July 1). Pain relief. US News & World Report, 16.

Gold, J. S., (1993, June). Island bashing. Financial World [On-line]. Available: <http://proquest.umi.com/pqdweb?TS=9.3&Sid=6&Idx=81&Deli=1&RQT=309&Dt=1>.

Gonzalez-Cruz, M. (1998, September). The U.S. invasion of Puerto Rico: Occupation and resistance to the colonial state, 1898 to the present. Latin American Perspectives, 25, 7-26.

Grusky, S. L. (1996, Spring). Political power in Puerto Rico: Bankers, pharmaceuticals and the state. Studies in Comparative International Development, 37, 48-65.

Hauberg, C. A. (1974). Puerto Rico and the Puerto Ricans. New York: Twayne Publishers, Inc.

Hoffman, J. (1993, May 31). P.R. tax break under attack. Chemical Marketing Reporter [On-line]. Available: [http://proquest.umi.com/pqdweb?TS--985914 ... =I&Dtp=I&Did=00000000101575 I&Mtd=I&Fmt--3](http://proquest.umi.com/pqdweb?TS--985914...=I&Dtp=I&Did=00000000101575I&Mtd=I&Fmt--3).

Isaac, K. (1993, August). Losing jobs to 936. The Front [On-line]. Available: <http://www.essential.org/monitor/hyper/issues/I993/08/mmO893-05.html>.

Johnson, R. A. (1980). Puerto Rico: Commonwealth or colony? New York: Praeger Publishers.

Kosterlitz, J. (1992, May 23). Jawboning with a bite. National Journal, 24, 1295.

Leon, C. (1997, October). Puerto Rico: Yes, there is life after 936. Institutional Investor [On-line]. Available: <http://proquest.umi.com/pqdweb?TS=9...3&Sid=5&Idx=2&Deli=1&RQT=309&Dtp=1>.

Luxner, L. (1991, September 30). Drug companies in Puerto Rico face tax credit loss. Journal of Commerce [On-line]. Available: http://web.lexis-nexis.com/document?_ansset=GeHauKO-EZERNsSEZERUUBRAUW-AUY-A-WRB EDAZCUYDU].

Luxner, L. (1993, April 5). Puerto Rico: Troubled waters. Business Latin America, 28, 2.

Luxner, L. (2000, October). Puerto Rico: Life after Section 936. Global Finance [On-line]. Available: [http://proquest.umi.com/pqdweb.M--985911 ... =I &Dtp= I&Did=0000000062453973&Mtd= I &Fm-3](http://proquest.umi.com/pqdweb.M--985911...=I&Dtp=I&Did=0000000062453973&Mtd=I&Fm-3).

Maldonado, A. W. (1983, July 25). Recession hits the pillmakers' paradise. Fortune, 108, 62.

Marino, J. (1995, October 16). Puerto Rico: A taxing future. Business Latin America, 30, 3.

Merriam-Webster's Dictionary of Quotations. (1992). New York: Smithmark Publishers.

Mixer, K. (1926). Porto Rico: History and conditions. New York: The Macmillan Company.

Monge, J. T. (1997). Puerto Rico: The trials of the oldest colony in the world. New Haven: Yale University Press.

Peck, M. W., & Johns, H. W. (1996, Spring). The death of Section 936: Closing a loophole or poor policy? The International Tax Journal, 22, 1-8.

Perusse, R. I., (1990). The United States and Puerto Rico: The struggle for equality. Florida: Robert E. Krieger Publishing Company.

Prescription drug industry must be reformed. (1994, March). USA Today [Online]. Available: <http://proquest.umi.com/pqdweb?TS=971658395&RQT=309&CC=1&Dtp=1&Did>.

Puerto Rico: Withdrawal symptoms. (1985, July). The Economist, 296, 25.

Puerto Rico. (1994, October). Euromoney [Online]. Available: <http://proquest.umi.com/pqdweb?TS=9...3&Sid=6=&Idx=58&Deli=1&RQT=309&Dtp=1>.

Rubin, A. J. (1996, July 6). Tax bill would have big impact on U.S. business overseas. Congressional Quarterly Weekly Report, 54, 1913-1915.

Schantz-Feld, M. R., (2000, December). Puerto Rico. Area Development On-line [On-line]. Available: <http://www.area-development.com/pas t/1200/regional/puerto.html>.

Simon, H. (1993, March 1). Puerto Rico tax benefits under fire. Business Latin America, 28, 1-2.

Southerland, D. (1993, February 24). Clinton targets territories' tax break: Puerto Rico, drug firms fear impact. The Washington Post, pp. D1.

Talbot, J. F. (1995, August). Puerto Rico in danger. America [On-line]. Available: <http://proquest.umi.com/pqdweb?TS=9...3&Sid=5&I dx=15&Deli=1&RQT=309&Dtp=1>.

Thurston, C.W. (1998, June 8). Branded offshore manufacturing finds a home in Ireland and Singapore. Chemical Market Reporter [On-line]. Available: <http://proquest.umi.com/pqdweb?TS=985909...=I&Dtp=I&Did=000000030106775>.

Udall, A. (1993, August 16). Section 936 salvaged. Business Latin America, 28, 1.

Viso, J. B. (1996). Puerto Rico as a manufacturing site for pharmaceuticals. Pharmaceutical Technology, 20, 34-38.

Wagenheim, K. (1970). Puerto Rico: A profile. New York: Praeger Publishers.

Weinberger, C.W. (1995, April 24). Commentary: Puerto Rico. Forbes [On-line]. Available: <http://proquest.umi.wm/pqdweb?TS=985913...=I&Dtp=I&Did=000000001490352&Mtd=1&-Fmt=3>.

Westlund, R. (1995, June). A new focus. Institutional Investor [On-line], Available: <http://proquest.umi.com/pqdweb?TS=985913...=I&Dtp=I&Did=000000006672929&Mtd=1&Frm=3>.

Wolpert, B. (1988, July). The pharmaceutical capital of the world. Global Trade, 108, 38-40.

Appendix A

Survey

Survey Statements: An Overview evaluating the relevance of Section 936 and the Pharmaceutical Industry

Procedural Guidelines: Interview 25 to 50 individuals who have experienced life in Puerto Rico within the last 10 years: Asking them 10 statements regarding their opinion of the pharmaceutical presence in Puerto Rico. All the men and women who take part in this survey must have lived in Puerto Rico for at least 5 years within 1950 to 2000.

Statements:	High	Low
1. The Puerto Rican economy, is strongly dependent on U.S. Corporations and the U.S. Government.	5 4 3 2 1	
2. Economic programs such as Operation Bootstrap and Section 936 of the United States Internal Revenue Tax Code have benefited the Puerto Rican economy.	5 4 3 2 1	
3. The growth of Puerto Rico's economy is directly connected to the migration of the manufacturing corporations, including those from the pharmaceutical sector.	5 4 3 2 1	
4. Becoming the 51 st state of the United States of America will be advantageous for citizens in Puerto Rico.	5 4 3 2 1	
5. The pharmaceutical industry and some of the other manufacturing companies have manipulated these tax incentives for their own benefit.	5 4 3 2 1	
6. The relocation of the pharmaceutical industry to other tax havens around the world will push the Puerto Rican economy to decline.	5 4 3 2 1	
7. The removal of Section 936 of the United States Internal Revenue Code will be a positive move for citizens living in Puerto Rico.	5 4 3 2 1	
8. The presence of U.S. corporations and the U.S. Government has hindered the Puerto Rican people towards self-determination.	5 4 3 2 1	
9. Puerto Rican citizens living on the island and in the United States are resentful for what the U.S. presence has done to the island.	5 4 3 2 1	
10. It would have been hard for Puerto Rico to modernize their industrial base without the help of the United States.	5 4 3 2 1	

Name: _____

How many years in Puerto Rico: _____

Additional Ideas and Insights: _____

Appendix B
Analysis of the Survey

	Answer #5	Answer #4	Answer #3	Answer #2	Answer #1	Results
Question #1 4.60	33 33X5=165 165	14 14X4=56 56	3 3X3=9 9	0 0X2=0 0	0 0X5=0 0	165+56+9+0+0=230 230/50=4.6 4.6
Question #2 3.22	9 9X5=45 45	13 13X4=52 52	14 14X3=42 42	8 8X2=16 16	6 6X1=6 6	45+52+42+16+6=161 161/50 3.22
Question #3 3.72	11 11X5=55 55	21 21X4=84 84	12 12X3=36 36	5 5X2=10 10	1 1X1=1 1	55+84+36+10+1=186 186/50=3.72 3.72
Question #4 2.68	10 10X5=50 50	6 6X4=24 24	8 8X3=24 24	10 10X2=20 20	16 16X1=16 16	50+24+24+20+16=134 134/50=2.68 2.68
Question #5 4.50	33 33X5=165 165	11 11X4=44 44	4 4X3=12 12	2 2X2=4 4	0 0X1=0 0	165+44+12+4+0=225 225/50=4.5 4.5
Question #6 3.86	12 12X5=60 60	22 22X4=88 88	13 13X3=39 39	3 3X2=6 6	0 0X1=0 0	60+88+39+6+0=193 193/50=3.86 3.86
Question #7 2.78	2 2X5=10 10	10 10X4=40 40	20 20X3=60 60	11 11X2=22 22	7 7X1=7 7	10+40+60+22+7=139 139/50=2.78 2.78
Question #8 3.66	17 17X5=85 85	14 14X4=56 56	8 8X3=24 24	7 7X2=14 14	4 4X1=4 4	85+56+24+14+4=183 183/50=3.66 3.66
Question #9 2.80	5 5X5=25 25	8 8X4=32 32	15 15X3=45 45	16 16X2=32 32	6 6X1=6 6	25+32+45+32+6=140 140/50=2.80 2.80
Question #10 3.58	13 13X5=65 65	16 16X4=64 64	11 11X3=33 33	7 7X2=14 14	3 3X1=3 3	65+64+33+14+3=179 179/50=3.58 3.58

1. 3.2 and Higher = Profound Agreement
2. 2.8-3.2 = Agreement
3. 2.8-2.2 = Disagreement
4. 2.2 and anything lower = Profound Disagreement